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Gray, Simon

ALL CLASSES PRODUCTIVE

OF

National Wealth;

OR,

THE THEORIES

OF

M. QUESNAI, DR. ADAM SMITH,

AND

MR. GRAY,

Concerning the various Classes of Men;

AS TO

THE PRODUCTION OF WEALTH TO

The Community,

ANALYSED AND EXAMINED,

By GEORGE PURVES, L.L.D.

"This argument leads us by a new, and certainly an unexpected road, to a novel conclusion in favour of the theory that utterly denies any distinction between any of the applications of capital and industry, which are subservient to the wants and enjoyments of man."—*Edinburgh Review*, vol. iv. p. 362.

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TO

HENRY BROUGHAM, ESQ. M.P.

THE FOLLOWING

DISCUSSION OF A QUESTION

**THE MOST IMPORTANT IN THE WHOLE EXTENT
OF STATISTICS,**

*As affecting essentially the very Foundations
of the Science,*

IS RESPECTFULLY INSCRIBED

BY

THE AUTHOR.

24th May, 1817.



CONTENTS.

BOOK I.

EXAMINATION OF THE THREE THEORIES RESPECTING THE PRODUCTIVENESS OF CIRCULATORS.

	Page
Chap. I.— <i>Of Productiveness as to Wealth</i>	1
Chap. II.— <i>Some Axioms, or general Truths in Statistics</i>	9
Chap. III.— <i>The Theory of M. Quesnai, or the Productiveness of Land alone</i>	14
Chap. IV.— <i>The unproductive Theory of Dr. Adam Smith, which admits the Pro- ductiveness of other Classes besides that of the Cultivator, but restricts it to certain Forms of Labour</i>	42
Chap. V.— <i>The productive Theory of Mr. Gray; or the positive Productiveness of all Classes of Circulators</i>	60

BOOK II.

TOPICS CONNECTED WITH THE QUESTION RESPECT- ING THE PRODUCTIVENESS OF CIRCULATORS IN POINT OF WEALTH.

Chap. I.— <i>Fixed Annuitants</i>	101
Chap. II.— <i>Price</i>	106

	Page
Chap. III.— <i>Money</i>	120
Chap. IV.— <i>Taxes</i>	127
Chap. V.— <i>The National Debt</i>	133
Chap. VI.— <i>A Plan of Liquidation, or Disinvest-</i> <i>ing, suggested</i>	149
Chap. VII.— <i>Public Retrenchment</i>	158
Chap. VIII.— <i>The Test of Facts applied</i>	175
Chap. IX.— <i>The Stagnation and Distress of</i> <i>1816</i>	188
Chap. X.— <i>Some of the leading Ideas and Results</i> <i>of the productive Theory, in, Sta-</i> <i>tistics</i>	220
Chap. XI.— <i>The moral and political Effects of</i> <i>the productive and unproductive</i> <i>Theories</i>	227
Chap. XII.— <i>Some concluding general Observa-</i> <i>tions</i>	237

APPENDIX.

No. I.— <i>Mr. Buchanan's Defence of Dr. Smith's</i> <i>Theory against the Edinburgh Re-</i> <i>viewers considered</i>	259
No. II.— <i>The Reviewer reviewed; or, the Argu-</i> <i>ments of a Writer in the British Cri-</i> <i>tic for September 1815, in defence of</i> <i>the unproductive Theory, examined</i> <i>and refuted</i>	264
<i>Postscript to the Reviewer reviewed</i>	279

CONTENTS:

vii

Page

No. III.—	<i>Four Letters from Mr. Gray to M. Say, on his <i>De l'Angleterre et des Anglais</i>, and containing some statistical Memorandums respecting France in 1816</i>	284
Letter 1.		284
Letter 2.—	<i>Increase in our Exports—In our Population.—The unfounded Theory of the Rev. Mr. Malthus.—Some statistical Memorandums respecting France in 1816</i>	287
Letter 3.—	<i>British Pride and Vanity—Crimes—Taste—Reading—Constant Employment—Mr. Dale's manufacturing Establishment—Machinery—Mr. Owen's Plan for employing the Poor—Tradesmen who have borrowed Capital—The Poor</i>	292
Letter 4.—	<i>Bank-notes and private Banks.—British and French Rates of Price.—The Income of Britain.—The average Amount of each Income increased 70 per Cent. during the War.—The actual Result of this.—Two Questions for the Statisticians of Europe to answer.—The Object of Britain in the War just, and fully accomplished.—Result, even to France, highly advantageous</i>	307
No. IV.—	<i>Creating Employment</i>	319
Index		321

ERRATA.

- Page 9, line 4, Axiom I. for *seller*, read *buyer*.
127, line 11 from the bottom, for *oharge*, read *charges*.
158, for *Chap. VI.* read *Chap. VII.*
288, line 18, for *imports* read *exports*.

ALL CLASSES PRODUCTIVE

OF

National Wealth.

BOOK I.

EXAMINATION OF THE THREE THEORIES RESPECTING
THE PRODUCTIVENESS OF CIRCULATORS.

CHAP. I.

Of Productiveness as to Wealth.

WE should be apt to imagine, that, if any doctrine were thoroughly settled among mankind, it would be that respecting the production of wealth by the various classes. As circulators, men of every class have been, in all ages, employed in the pursuit of it, as the source of income, or the means of procuring not only comforts and luxuries, but even mere subsistence. Constantly and intensely employed, as they have been in acquiring it; and fully aware of what it will do for them, in proportion to the amount they succeed in

acquiring; it seems reasonable to expect that most persons, of any reflection at all, would have attained a thorough knowledge of all the leading facts respecting it, its increase or decrease, and the causes operating in both. And what is the actual result? That in no question is there more difference of opinion: nothing seems absolutely settled or certain. To this hour, the grand fundamental question, on which the whole science of statistics must more or less depend, *whether all classes be productive of wealth, or whether some be unproductive*, has not been determined.

The truth is, that the subject is really not so easy to analyze and investigate as it seems to be. Constantly employed, and deeply interested in the attempt to acquire wealth practically the circulators are well acquainted with the results to themselves as individuals; but the operation of the various interests in society does not appear to affect them nearly, though it certainly does in reality, and, therefore, most of them pay but little attention to the process. It also requires great quickness of perception, and niceness of investigation. Though, in detail the facts seem clear and simple, in combination they are abstruse and complicated: they thus afford much scope for imagination. And unfortunately in this case, as in many others, those who pay particular attention to the study

are but too apt to indulge in the pleasing excursions of fancy, and to adopt the easier plan of imagining, rather than the more dull and difficult one of investigating. Instead of analyzing real facts, and reasoning back from them to their real causes, they imagine some plausible principles, or causes, and argue forward from these to real results. The latter, of course, they shape so as to suit their theoretical fancies; and we catch statisticians too often misrepresenting real facts, in order to make them agree with their preconceived notions. Indeed, we sometimes find them, in defence of these favourite notions, boldly denying results so plain, that none but themselves have the least doubt about them.

In this fondness for theoretic fancies, perhaps more than the difficulty of the subject of statistics, extensive and complicated as it is, we may find the reason why the very first principles of this practical science are still unsettled. Indeed, after all the labours of so many eminent men, of the highest class for genius and learning in it, the real science seems to be yet in its infancy. It is, therefore, full time for us to measure back our steps; to abandon fancy for fact, to analyze real results minutely, instead of garbling them; to deduce, instead of assuming, and to substitute cool reasoning for the dictates of popular prejudice.

To avoid theory is impossible, were it even desirable. But theory is most useful. It tends to give us clear and comprehensive views of the arrangements of nature, and of her laws and operations. The theory, however, must be real, the theory of nature: derived, of course, from real causes and actual results, not from loose imaginations or affected subtlety. And we must in every case try theory rigidly by facts, not facts by theory.

To this science has been given the name of *political economy*, as well as *statistics*. There is often more in a name than most people suspect. The former title has been long applied to it, and is well understood. But we have had so many groundless fancies associated with the term *economy*, that it might be useful to drop it. Indeed, some practical statisticians smile when they hear the term *economy*. They annex to it the idea of some dabbling with occult qualities, some sporting of imaginary causes, or display of affected subtlety. The other title, *statistics*, has been used of late, and is also well understood. It is not associated with any fantastic whims, and, at the same time, is more characteristically descriptive of the science. It is, therefore, much preferable.

Did the question, which is the subject of this Essay, relate merely to a classification of circulators, even then it might be useful to dis-

cuss it. But it is a question that most vitally affects the real interests of mankind. It is essentially connected not merely with ideas, but with practical measures resulting from them. Not only the leading ideas of the respective theories, but, of course, the measures that are dictated by them, are diametrically opposite to each other. This grand fundamental question, the answer to which must in fact form the basis of statistics, extends itself vitally to every branch of the science, and must regulate the measures which are proper, and which affect the interests of circulators in a great variety of cases. It is, therefore, of the last importance, that the answer to it should be correct.

Both theories, all will agree, are essentially connected with practice, and with the interests most dear to mankind. If the productive theory be admitted to be true, or to be the real theory of nature, it will introduce an entire chain of new ideas or views of the subject, and prompt a set of measures very different from those proper on the unproductive. Indeed, all who assent to this theory as actually operating in nature and regulating circulation, will own it to be, instead of a mere mode of classifying, one of the most practically important doctrines, that men have entertained either in ancient or modern times.

Often the most serious differences in opinion arise from not explaining clearly the terms used with respect to the subject on which inquirers differ. In the question as to *the productiveness or unproductiveness of circulators* as to wealth, it is necessary that the meaning of these terms should be stated distinctly. By *productiveness as to wealth*, when applied to classes of circulators, as to the whole community, must evidently be understood, that these classes not only have the means of acquiring income and of accumulating capital for themselves, but that the acquisition of this income, or accumulation of this capital, so far from being injurious to other classes in those points, tends to assist them in the same pursuit, by affording them increased means of enlarging both. By *unproductiveness*, when applied to certain classes, *as to wealth*, on the other hand, must be meant either that these classes have not the means of obtaining income, or of accumulating capital for themselves; or, if they have, that, in acquiring the former or accumulating the latter, they injure others in the same pursuit, by diminishing their means of effecting the acquisition of the one or the accumulation of the other. It is self-evident, that *if all classes possess the means of procuring income and accumulating capital for themselves: while, at the same time, they each assist the other in doing the same, though they may*

differ in the degree, they are all really productive of wealth to the community or nation.

It seems to have been the general opinion of men, in all ages, that certain classes are unproductive, or injurious to others, as to income and wealth. But though this has ever been the popular opinion, it has rather existed in the public mind as a vague idea. The lower ranks have at all times entertained a kind of indistinct notion that the rich, because they did not work like them for their livelihood, lived upon them and kept them poor. It is true, however, that they have almost as uniformly held a notion at variance with this. They have always complained, and to this day they universally complain, when the rich do not reside among them. This non-residence they consider as the grand cause (and it is partly so in fact) of their neighbourhood being poor. How can we be but distressed, ask they, when these rich people, who have the means of employing so many, are so often absentees from us, and spend their money elsewhere, which would give us employment and make us all more comfortable? This is virtually to acknowledge, that the rich are productive with respect to them.

The lower ranks also have uniformly agreed in thinking, but indeed all classes, even to the highest, have coincided with them in this, that the government classes diminish their income

and wealth, by taking something for which they get nothing productive in return. This they consider as so much lost to them *: and they look on these classes as unproductive, and tending to diminish the wealth of the country.

The former notion, of the richer circulators rendering the other poorer, has been maintained by some declaimers and demagogues, in times of popular frenzy. But this wild idea has not been embodied in any deliberate theory. The latter forms part of our regular unproductive theories.

We have three distinct theories on this very important subject. Two are of the unproductive cast: that of M. Quesnai, in his *Physiocratie*, and that of Dr. Smith, in his *Wealth of Nations*. The third is the positive productive theory. This has been lately analyzed and maintained, in all its extent, by Mr. Gray, in his *Happiness of States*. Each of these it is my intention to examine in its turn, by the really operating causes in circulation, and their actual results in real life.

* *Happiness of States*, Book II. ch. II. p. 134.

CHAP. II.

Some Axioms, or general Truths in Statistics.

BEFORE I proceed to the examination of these theories, it may be useful, as tending both to brevity and clearness, to state the leading axioms, or general truths in statistics, connected with the question at issue.

1. *Every circulator is necessarily a buyer and seller in one, whatever be the character of his circuland*.* As a seller he charges upon others; and as a seller, he enables others to charge upon him †.

2. *Every species of circuland is a source of income; and, consequently, if the circulator chooses to save, may be, of capital also.*

3. *Throughout all classes of circulators, what is expenditure to one individual, is the source of employment and income to others ‡.*

This very important axiom, though overlooked by statisticians, should be kept constantly in

* *Materials of circulation.* This term has been introduced by Mr. Gray. It is a very useful word, and enables the statistician to treat of his subjects more clearly and intelligibly. It renders them more manageable, and even throws an additional light on them. Use will familiarize it both to the ear and the mind.

† Hap. of St. Book II. ch. iii. p. 47, 54.

‡ Id. Book II. ch. iv. p. 70.

mind in all discussions concerning the laws and results of circulation.

4. The general result from this is, *the greater the expenditure in a nation, the greater the amount of employment and income, and, consequently, of wealth.*

5. *The demand regulates the supply of every article, as far as this is dependent on the will of man, and, of course, also, the number of hands employed in procuring the supply*.*

6. *Whatever circulators continue to use, they must have the means of charging for upon what they deal in. Were it not so, they must of necessity give up the use of it, from not being able to pay for it.*

7. *It must also bring such a price, as will enable the makers of it, or dealers in it, to live according to the usual style of their class. Otherwise they would gradually abandon it, and seek a livelihood from an article more profitable.*

8. *The price of an article is the amount of the sums charged on it by each person, through whose hands it passes, for food, clothes, housing, service, the expenses of government, instruction, amusement, and physic; the interest on capital, when that is employed, and profit †.*

9. *The average price of a district or country*

* Hap. of St. Book II. ch. v.

† Id. Book II. ch. ii. p. 123.

for any period, therefore, represents the style of living in the district or country for that period.*

10. *Price, income, and employment, thus mutually represent one another ; and, therefore, must correspond in amount †.*

11. *And, as the charges of the various circulators are thus taken into the average general price of things, every additional charge, whatever be the class, or whoever the individual that makes it, by being in like manner taken into the common price, will be ultimately paid, and charged for by all.*

To these general truths it may be proper to add some explanation of the meaning of the term *wealth* in the question under discussion.

Wealth, in the most extensive sense, signifies the materials of well-being, or happy living, or else the means of procuring these.

The statistician, in treating of general principles, may notice it in the former sense, as grain and cattle in the hands of the farmer, and cloth in the possession of the cloth-maker; produced by themselves, and not purchased. But it is in the latter, or exchanging point of view; that it is considered by the people at large. *Wealth, in the popular sense, seems generally to imply something of measure in it, and uni-*

* Hap. of States, Book II. ch. ii. p. 146.

† Farmer's Magazine, May 1816, p. 202.

formly *abundance*: frequently superfluity, as wallowing in wealth. Though the poorest classes have the means of procuring some of the most essential materials of happiness, as well as the richest; yet because they are rather pinched in the quantum, or do not possess these in abundance, we are not apt to consider the means which they do possess, as real wealth.

All capital is wealth, but all wealth is not capital. A great mass of Britons now are capable of making this distinction. By *capital*, we understand wealth employed expressly for the purpose of procuring profit, or additional wealth. By *wealth*, we in general understand an abundant share of the materials of happy living; necessities, comforts, and luxuries; or 'else (which is the more common use of the term) of the means of procuring those good things, when these means are either applied, or are kept to be applied, to procure them for the purpose of actual enjoyment.

In discussing the important question at issue, which respects the operation of the incomes of the various classes on one another, wealth is, of course, considered chiefly in its exchangeable character, and in its popular sense of *abundance*. For no one will dispute that every circulator procures, by means of his circulant, a portion of necessities at least, if not of comforts and luxuries; but the question

is, whether the incomes of all tend to promote abundance among all, or not.

The author of the Happiness of States has taken wealth in this sense, or the means of procuring, not merely the necessities, but more or less of the comforts and luxuries of life, as commencing at the possession of that amount of income, which is equal to a quarter of wheat a week, or its average money value for the period. And the question might, perhaps, be more easily comprehended by those who have not studied the subject much, were it put: *Do all classes of circulators mutually assist one another, in enabling a greater proportion of their respective numbers to approach towards, reach, or advance beyond that weekly amount of income: or does the employment of some operate towards producing this effect, while that of others has a tendency to counteract it?*

CHAP. III.

The Theory of M. Quesnai, or the Productiveness of Land alone.

ABOUT the middle of the last century, M. Francis Quesnai, the patriarch of the economists, embodied the vague ideas floating in the public mind, respecting productive and unproductive circulators, and fixed on the class of cultivators as being alone productive. The *Economists*, as these land-theorists were called, seem to have obtained at one time a predominant influence among the statisticians of France. And though many in that country now affect, verbally at least, to reject their system, it has evidently a strong real influence on the public mind there. This is also true of Britain. Their doctrine of *land alone being productive as to real additional wealth*, is, however, generally said to be exploded in our island. It has certainly given place among the great body to Dr. Adam Smith's more extended unproductive theory. But this theory is in reality built on the former; and if we are to judge from the late speeches of some of our leading statisticians in both Houses of Parliament, and by several of our recent statistical publications, it seems to be more openly

maintained, at least to a certain extent, than ever.

That land forms a most important portion of the materials of circulation, and that it is entitled to the greatest attention in these inquiries, will be disputed by nobody. To it every circulator, whatever be his class, owes the very means of his existence. From it we also derive the materials of lodging and of clothing. Even the dealers in the articles of the mind, the teacher, the painter, the musician, the poet, draw the materials of their arts more or less principally from it, its productions and qualities. It, therefore, ever must be of the first consequence with all wise circulators. There is no doubt on this point. But the question is, whether this most vital part of circulant, besides its great importance, is not also the sole source of additional wealth to a community.

The soil, assumes the economist, is the sole source of wealth. This assumption, on which the whole system of Quesnai and his followers has been raised, is self-evidently false.

That land is, or may be made, a great source of wealth, and that a considerable portion of wealth is actually derived from it, by the assistance of man, is indeed true; but there are other species of circulant very copious sources of wealth; and two even more copious, labour, and, still more, skill. The soil is not

even the sole source of that division of wealth called subsistence. The air is as absolutely necessary a medium, and has as great an influence as the soil. The heat of the sun is another as absolutely necessary and as powerful a medium. And yet farther, the sea, lakes and rivers are sources of an immense quantity of this species of wealth. Indeed the amount of wealth, even of this species, which is spontaneously afforded by the earth, is but trifling, when compared with that supplied by it, when aided by those other sources of wealth, labour and skill. In highly peopled districts it is, on an average, scarcely one thirtieth of the whole*.

And if the soil, of itself unassisted, be so small a source of the wealth even in this division of wealth, it is still more trifling in the various other divisions. It affords the raw materials of some, as housing and clothing; but what is the value of those, compared with the value they derive from the addition of labour, under the guidance and impulse of skill? It is true, that the soil and its productions are necessary media to man in creating wealth; but though they are necessary, they are not the sole necessary or useful. The air, heat, water, are as necessary and useful to him as the soil. Heat is even as extensively so. But how false, and

* Hap. of States, Book VI. ch. iii. p. 437.

indeed absurd would it be to say, that, because heat was absolutely necessary to man, directly or indirectly, in all his operations in producing wealth, that heat is the *sole* source of wealth. And yet it is not less false and absurd to affirm the same thing of the soil.

What the economist affirms of soil, is indeed true of *human reason*, if we confine our remark to all that wealth, in whatever form it is found, which is not produced spontaneously by the earth, including the sea, lakes and rivers. The earth yields a great quantity of the raw materials in most branches of circuland: but it is the reason of man that makes them sources of wealth. Labour itself, whether by man, or by horses, oxen, camels and other labouring animals, would be of no value, but from the directing influence of reason. As for the labour of machines, which is so immense in highly peopled, and cultivated districts, it would not, without reason, exist at all. Let us only consider what the world would be without a being possessing the faculty of reason like man; or had man enjoyed only such a degree of instinct, or mechanical unimprovable reason (if reason it can be called without an improper extension of the term) as the horse, the elephant, the beaver, the monkey. Let us look, by way of illustration, to those immense districts in North America and Siberia, which have

no fixed human population, though there are certain animals found on them. The only produce of the soil would be that which springs spontaneously from irrigation, from the falling of the leaves of trees, and from the treading of the feet of animals and the manure they drop. Capital and its effects, from which so much wealth is derived, would not exist at all. Neither would effective labour. For both capital and effective labour are wholly the creations of reason.

With the exception of perhaps one-tenth of subsistence, the whole of the materials of human happiness, or the circuland, which consists of feeding, housing, clothing, governing, teaching and the rest, owe to reason their entire existence. If, therefore, that be the cause or source of any thing, without which the latter could not be produced at all, or which gives productive effect to the otherwise inefficient media, that it is obliged by the arrangement of nature to use, then *reason is unquestionably the sole original source of all human wealth, with the exception of a small portion of it.*

But though reason be the sole original source of nearly the whole of human wealth, it will not self-evidently follow from this, that all circuland, or every circulator is productive of additional wealth, more than it would follow from the axiom of the economists, were it

true, that the soil is the source of all wealth, that circulators deriving their income directly from the soil were alone productive. To determine this requires a farther process of reasoning. For, though all human circulators possess reason in one degree or another, certain classes may injure one another in the acquirement of income: and circulators who do not derive their income from the soil directly, may, nevertheless, assist those circulators who do, in procuring a greater income, than these could acquire without them. This further question, therefore, must be determined before we can come to a conclusion on the general question.

But the axiomatic notion of the economists, that *the soil is the sole source of wealth*, instead of being incontestably true, as is affirmed by their partisans, appears by the foregoing analysis to be incontestably false. We have, therefore, next to examine what farther proof they bring of the productiveness of cultivators alone, in point of additional wealth to a nation.

It seems to be universally assumed or taken for granted, that the dealers in the subsistence branch of circuland, are productive of additional wealth. This may be the fact in nature; but the inquiring statistician, when discussing first principles, will not allow any such thing to be assumed. As with respect to every other branch of circuland, whether of the necessary

or luxurious sort, its productiveness must be proved by an analysis of facts, of causes and their results. Indeed, excepting perhaps the manufacturer, if any species of circulator *seems* to labour more especially than the rest for *others*, and to be paid by *others*, it is that of the cultivator.

Such an analysis, which it is not necessary at present to go into, does certainly show, that land and its produce are productive of additional wealth. They are the source of income and of capital; and the acquisition of both, far from being injurious to the other species of circulant, tends to enlarge their productiveness also. But it is evidently only, as circulant, that soil is productive of additional wealth. A surface of 10,000 acres of heath land, which is allowed to remain in a state of nature, and does not feed even a sheep, is of no more value to the proprietor or the public, than the same extent of surface of sea*.

If nature has drawn a line between a class or classes of circulators and others, of such essential difference, that the former are productive of wealth, and the latter unproductive, indeed positively destructive of wealth, this line, as in all her other operations, must have been marked and distinct. Does a marked and distinct line

* *Happiness of States*, Book II. ch. i. p. 22.

of this kind then actually exist? and, in what does it consist?

M. Quesnai and his followers have fixed on a line. They view the soil as the sole source of wealth, and the cultivators of it as alone really productive. This line is more distinct in appearance than in reality: and it is far from being definite even according to their own drawing*.

To say nothing of the building and the clothing circulators, who enable the cultivator, by making him comfortable and protecting him from the weather, to proceed more effectively in rendering the land productive, it might not be difficult to show, that the soldier or sailor who secures his fields from the ravages of the invader, and thus allows him to give his full attention at ease to those fields, does more towards rendering them productive, than the landholder who never interferes but to receive his rent; Even the lawyer, who protects the farmer from

* This has been decisively shown in that masterly statistical essay, the review of Lord Lauderdale's Inquiry into the Nature and Origin of Public Wealth. (Edinburgh Review, July, 1804.) I do not see how the author of this essay can refuse to make one step more, if he has not already made it, and admit the positive doctrine of the productive theory, *that the chargeability of circulant is the quality which is productive of wealth.* This critical essay is attributed to Mr. Brougham.

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classes to whom, in general (for there are exceptions), the term create, with respect to income, might not be more characteristically applied, than to that, if I may be pardoned the epithet, of the sweating creator, to whom our unproductive land-theorists do apply it.

But M. Quesnai contends, that there is an essential distinction between the labour of the cultivator, and the labour of the manufacturer. Let the produce of the former be increased to any extent, the demand will remain the same, from the increase in the number of the consumers, which it will maintain. His articles, therefore, not being liable to a permanent excess of supply, their price will always be such as to leave a profit after paying for the farmer's maintenance. But the productions of the manufacturer having no such tendency to increase the number of the demanders, if they be carried beyond a certain amount, or the quantity actually wanted, either a part will remain unsold, or the whole will sell at a lower price. The quantity is thus limited, as well as the price; and the latter will be reduced to the value of the raw material, and of the maintenance of the workman and his master. Manufacturing labour thus adds only a value equal to its own maintenance.

The notion of Quesnai, which has been adopted by the Reverend Mr. Malthus, that, in

the case of subsistence, the supply regulates the demand, is not merely not founded on actual results in real life, but is positively contrary to these, both general and particular. It has been shown by Mr. Gray*, that the universal law of nature with respect to circulation is, that the demand regulates the supply in the case of subsistence, as of all other things dependent on the will of man. All actual results coincide with this. Our farmers have lately (and often before) found to their cost, that subsistence may increase beyond the demand for it, so as to lower the price, just as in the case of manufactures, to such a degree that, far from leaving any profit, it subjects them to a ruinous loss. But I mean to go into a particular discussion of this important question elsewhere.

Let us admit for the moment, that, in subsistence, the amount of the supply does regulate the amount of the demand. What essential difference arises from this as to price? So as the demand and the supply are equal, it matters not, as far as price is concerned, whether the supply regulate the demand, as Quesnai imagines, or the demand regulates the supply, as in real life. Both suppose the buyers and sellers to be equal. The charges forming the

* Hep. of States, Book II. ch. v. and Book VI. ch. ii, iii.

price will be the same, and the ability in the circulators, of the seller to charge, and the buyer to pay, will be the same.

Quesnai, Smith, and unproductive theorists in general, seem to confine their attention entirely to the means of charging, and to overlook the still more material object in this question, the means of being paid. This is the grand source of their errors. The price of things is the medium, by which the circulators of every class are paid; that is, acquire income and capital; and if we analyze this, and attend to the various charges which constitute it, we shall find the charge of the cultivator forming a portion of this medium of payment as distinctly, but in no other shape, than the charges of the other classes.

Our land theorists treat this subject, as if they considered that the charge for *maintenance*, or subsistence, formed the whole, or nearly the whole, of the price of things. But the fact is, that clothing, lodging, service, government, teaching, amusement, and profit, form as real portions of charge in the price of things, as the food consumed during the period of the employment for which the price is obtained. The proportions which these charges bear to one another vary according to the predominant articles used by classes, and to the rates of population and wealth. Accuracy, therefore, on such a subject is unattainable. Price being

that by which circulators obtain their incomes, the amounts of both will correspond*. According to Mr. Gray's conjectural table of these proportions, in the present general average prices of Britain, subsistence forms a charge of about 30 per cent. If we assume this as the proportion, the present average income of British cultivators derived from the produce of the earth, in the form of mere subsistence, is about 90 millions†. But

* Axiom X. p. 11.

† In the year 1814, the income of England and Scotland, from land in property, is stated

to have been	£ 43,889,021
From the produce of land	38,396,143
	<hr/> 82,285,164

Deduct for tithes, quarries, mines, iron-works, &c. as the value of these arises from teaching, building, &c.	4,195,005
	<hr/> £ 78,090,159

From this sum should also be deducted the amount derived from timber, bark, straw not eaten, skins, wool, flax, hemp, flowering shrubs, from horses not employed in agriculture, &c. for these do not belong to the division of subsistence. But this amount is not known. It must, however, be considerable.

The total above stated including only such incomes as were above £50 a year, those under it are to be added; but the amount can only be guessed at. In 1815, there were returns from 474,596 occupiers of land above £50 a year. Those of incomes under £50, amounted to £14,778. The number of families chiefly employed in agriculture in 1811

this evidently includes not only their charge for subsistence on that produce, but for clothing, housing, teaching, government, and so forth. Their net charge for subsistence on that produce will therefore be about 27 millions, and the other 63 millions are charged for, and drawn from, the other classes to reimburse themselves for other articles.

If any class of circulators continue to use certain articles, it has the means of charging for them; for, were it not so, it must discontinue the use of them. This is so evident, as to be an axiom in statistics*.

If, therefore, the cultivator use the articles of the manufacturer, the teacher, &c. he must charge for them, and we know he does. For his class in Britain, instead of drawing an income of 27 millions only, on the subsistence which it raises, obtains 90. Were it to forego the use of every thing but subsistence, instead

was 895,998, and probably in 1814 might reach 950,000. This would suppose about 475,000 agricultural families under £50 a year. To take these at £40 a year, would probably not be too high, as most of the children earn something. This would give 19 millions, and the two sums together make 97 millions. If now we deduct the income derived from timber, skins, wool, &c. it is probable, that Mr. Gray's conjectural per centage is not very far from the real one.

* Axiom VI, p. 10.

of selling its wheat, for example, at 80s. a quarter, it would part with that grain at such a reduced rate, as would produce 63 per cent. less than its present income, drawn from subsistence. The class is thus, by means of the other classes, enabled to charge 80 shillings, instead of the sum that would pay for subsistence alone. It matters not in what form any of the circulators connected with the production of subsistence charge. Whether it be by holding a plough, by overseeing labourers, or by obtaining rent for the temporary possession of land, if they use other articles besides mere subsistence, they must charge for them, and have the means of paying for them. All go alike into the price of grain, cattle, and so forth, and make up the amount of 90 millions charged on subsistence.

On the other hand, the manufacturer of clothing articles, for example, out of other circulators, must have the means of charging for, and obtaining payment for, the various articles of subsistence, lodging, teaching, &c. that he continues to use, and profit. Whatever be the form in which any of the class charges, whether as master, or servant, or capitalist, it goes alike into the price: the whole making, according to Mr. Gray's conjectural table, about 14 per cent. on British income, or 42 millions a year. This amount is thus charged upon, and drawn from the cultivators and other classes ac-

cording to the respective proportions of their incomes; and they again reimburse themselves by their charges upon him according to the extent of his. Where, then, is the difference between him and the cultivator? There is no more natural limit preventing him from charging and drawing for, by means of his price, the full amount of what he wants, than there is upon the latter. He obtains, by charging, partly through the agency of the cultivator, the various articles he uses, together with an extra profit, as circumstances permit, just as the cultivator obtains the same, partly by charging upon him. And we know from facts, or the universal use among the manufacturing class of the same articles used by the cultivating (and generally even in a higher degree), that he has in reality the means of so charging. Besides, the manufacturing and other classes are constantly purchasing land. They must, therefore, possess the power of obtaining a surplus profit, after paying for their mere expences. The same fact shows, that the cultivator, either from imprudence or occasional circumstances, cannot always obtain a price equal to his expences. Else why should he part with his land? The manufacturer, therefore (and the same thing holds true with respect to all other classes), has as fully the means of adding to his labour the value of the various articles he uses, *and an extra*

a troublesome neighbour, or a rapacious land-owner, is of more use in promoting the productiveness of a farm, than some idle slovenly farmers, who spend most of their time at the smithy or the public house. The teaching classes are also useful in rendering land more productive. The schoolmaster, by enlarging the ideas of the farmer, and instructing him how to observe; the natural philosopher, by teaching him the principles of vegetation; the clergyman, by urging him to be sober and industrious; are all, as it were, fellow-workers with him, or at least assistants in cultivating the soil more effectually. The medical circulator occasionally brings him most essential aid. The menial servant, though not directly employed either in sowing, hoeing, reaping, carrying, threshing, winnowing, milking, and so forth, is of use, by adding to his comforts, and enabling him and his land-labourers to give their time and attention more fully to their business. Even the amusing classes sometimes assist him in his task of cultivation. I pass over the general effect of amusement, when properly used, in making the mind more cheerful and vigorous. We know that music is actually employed to increase the labours of the cultivator. For one instance out of many, the piper in the Highlands frequently follows the labourers in the fields, particularly in hay and corn harvest, and with his strains in-

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or luxurious sort, its productiveness must be proved by an analysis of facts, of causes and their results. Indeed, excepting perhaps the manufacturer, if any species of circulator *seem* to labour more especially than the rest for *others*, and to be paid by *others*, it is that of the cultivator.

Such an analysis, which it is not necessary at present to go into, does certainly show, that land and its produce are productive of additional wealth. They are the source of income and of capital ; and the acquisition of both, far from being injurious to the other species of circulant, tends to enlarge their productiveness also. But it is evidently only, as circulant, that soil is productive of additional wealth. A surface of 10,000 acres of heath land, which is allowed to remain in a state of nature, and does not feed even a sheep, is of no more value to the proprietor or the public, than the same extent of surface of sea*.

If nature has drawn a line between a class or classes of circulators and others, of such essential difference, that the former are productive of wealth, and the latter unproductive, indeed positively destructive of wealth, this line, as in all her other operations, must have been marked and distinct. Does a marked and distinct line

* *Happiness of States*, Book II. ch. i. p. 22.

of this kind then actually exist? and in what does it consist?

M. Quesnai and his followers have fixed on a line. They view the soil as the sole source of wealth, and the cultivators of it as alone really productive. This line is more distinct in appearance than in reality: and it is far from being definite even according to their own drawing*.

To say nothing of the building and the clothing circulators, who enable the cultivator, by making him comfortable and protecting him from the weather, to proceed more effectively in rendering the land productive, it might not be difficult to show, that the soldier or sailor who secures his fields from the ravages of the invader, and thus allows him to give his full attention at ease to those fields, does more towards rendering them productive, than the landholder who never interferes but to receive his rent; Even the lawyer, who protects the farmer from

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that by which circulators obtain their incomes, the amounts of both will correspond *. According to Mr. Gray's conjectural table of these proportions, in the present general average prices of Britain, subsistence forms a charge of about 30 per cent. If we assume this as the proportion, the present average income of British cultivators derived from the produce of the earth, in the form of mere subsistence, is about 90 millions †. But

* Axiom X. p. 11.

† In the year 1814, the income of England and Scotland, from land in property, is stated

to have been	£ 43,889,021
From the produce of land	38,396,143
	<hr/>
	82,285,164
Deduct for tithes, quarries, mines, iron-works, &c. as the value of these arises from teach- ing, building, &c.	4,195,005
	<hr/>
	£ 78,090,159

From this sum should also be deducted the amount derived from timber, bark, straw not eaten, skins, wool, flax, hemp, flowering shrubs, from horses not employed in agriculture, &c. for these do not belong to the division of subsistence. But this amount is not known. It must, however, be considerable.

The total above stated including only such incomes as were above £50 a year, those under it are to be added; but the amount can only be guessed at. In 1815, there were returns from 474,596 occupiers of land above £50 a year. Those of incomes under £50, amounted to £14,778. The number of families chiefly employed in agriculture in 1811

this evidently includes not only their charge for subsistence on that produce, but, for clothing, housing, teaching, government, and so forth. Their net charge for subsistence on that produce will therefore be about 27 millions, and the other 63 millions are charged for, and drawn from, the other classes to reimburse themselves for other articles.

If any class of circulators continue to use certain articles, it has the means of charging for them; for, were it not so, it must discontinue the use of them. This is so evident, as to be an axiom in statistics*.

If, therefore, the cultivator use the articles of the manufacturer, the teacher, &c. he must charge for them, and we know he does. For his class in Britain, instead of drawing an income of 27 millions only, on the subsistence which it raises, obtains 90. Were it to forego the use of every thing but subsistence, instead

was 895,998, and probably in 1814 might reach 950,000. This would suppose about 475,000 agricultural families under £50 a year. To take these at £40 a year, would probably not be too high, as most of the children earn something. This would give 19 millions, and the two sums together make 97 millions. If now we deduct the income derived from timber, skins, wool, &c. it is probable, that Mr. Gray's conjectural per centage is not very far from the real one.

* Axiom VI. p. 10.

a troublesome neighbour, or a rapacious landowner, is of more use in promoting the productiveness of a farm, than some idle slovenly farmers, who spend most of their time at the smithy or the public house. The teaching classes are also useful in rendering land more productive. The schoolmaster, by enlarging the ideas of the farmer, and instructing him how to observe; the natural philosopher, by teaching him the principles of vegetation; the clergyman, by urging him to be sober and industrious; are all, as it were, fellow-workers with him, or at least assistants in cultivating the soil more effectually. The medical circulator occasionally brings him most essential aid. The menial servant, though not directly employed either in sowing, hoeing, reaping, carrying, threshing, winnowing, milking, and so forth, is of use, by adding to his comforts, and enabling him and his land-labourers to give their time and attention more fully to their business. Even the amusing classes sometimes assist him in his task of cultivation. I pass over the general effect of amusement, when properly used, in making the mind more cheerful and vigorous. We know that music is actually employed to increase the labours of the cultivator. For one instance out of many, the piper in the Highlands frequently follows the labourers in the fields, particularly in hay and corn harvest, and with his strains in-

spirits them to greater exertions. Thus every class of circulators may be considered as directly or indirectly assistants in the labour of cultivation.

But it is difficult on this theory to point out the persons employed in agricultural business who are to be considered as productive or not, or what is the characteristical mark or quality of productiveness in their modes of employment. The hedger, the ditcher, the drainer, the carter, the blacksmith, the machine-maker, frequently do more than either the land-owner, or even the farmer. Are, then, all productive? Or what makes them not so?

It is by no means, however, my intention to carp, but candidly to inquire whether nature has really drawn a line like, or somewhat like, that of M. Quesnai and his followers. Without making nice distinctions, I shall consider all those as cultivators who, according to the division in the Happiness of States, are dealers in agricultural circulant; that is, employed for more or less of their time in the business created by procuring subsistence, either from land or water.

This very numerous class of circulators has the means of acquiring income, and accumulating capital. This it effects by charging others for its articles which they want. But though it derives its income and capital chiefly fro

other classes, it does not injure these in the same pursuit : it does not rob them of what it draws from them, for they charge in return ; and they are enabled to charge more liberally on it, the more liberally it charges upon them. The price of its articles is thus taken into the general price of things ; and its income, while it is so much added to the nation's, which would be so much less without it, tends strongly to stimulate the circulatory powers, or to enlarge the means of others to charge by increasing employment, and thus enables them also to acquire income and capital. It is, therefore, evidently a class productive of additional wealth to the community.

But M. Quesnai and his followers go farther, and affirm, that *it alone is productive*. And why ? In what respect, as to producing income, capital, wealth, does it differ from other classes of circulators ? It derives its income and capital chiefly from them, as they derive their income and capital partly from it. Has it any self-derived fund of its own, which the others have not ? No : for where does it, or where can it exist ? Were the cultivator to give his corn and cattle to others for nothing, he would soon find, that he would acquire neither income nor capital, but entirely lose both. Nay, in disposing of these, were he only to charge for them the amount of what others

charge upon him, he would find he acquired no income, and what capital he had formerly received from his predecessors, or accumulated himself, would gradually be annihilated. He, therefore, derives both his income and capital from others, and has no self-derived fund more than others have.

The land theorists have applied the term *create* to the cultivating class. This class, according to them, creates income and wealth. Other classes only share in it, when created. Much stress has been laid on this, particularly of late. They use it with a triumphant tone, as pointing out some occult quality, which constitutes an essential difference between cultivation and other species of circuland. Let us see what *real* quality it can indicate.

To apply the term *create* in a literal sense to a circulator is an absurdity. To create strictly, or form out of nothing, is the work of Deity alone. Circulators can modify and combine, they can give another sort of form to what is actually existing; but they cannot give existence to the materials of any thing. The term, then, can only be applied metaphorically. To create income, or capital, is only a strong figurative term for acquiring the one and accumulating the other.

How, then, does the cultivator create income, but by charging upon others; that is, by draw-

ing it from the pockets of others? And do not all the other classes create income in precisely the same way by means of one another? This is a strange kind of creator, indeed, to be obliged to have recourse to the assistance of others, indeed, actually to borrow from others what he creates. In truth, there is scarcely any class of circulators, to which this metaphor would not be apparently more correctly applied, than to that of the cultivator. His income is generally obtained by the sweat of his brow, and by a very tedious process. No one labours more expressly for others, or is paid more expressly by others. Not do the charges of any one make a more conspicuous portion in the price of things. The incomes acquired by many of the circulators, whom M. Quesnai and his followers call unproductive, have much more the appearance of creation, from their suddenness and greatness. Some of our eminent public singers, by a few fleeting sounds, will, in five or ten minutes, create an income of fifty or a hundred pounds, the creation of which would occupy a cultivator as many months. That poetic creator, our northern bard, by means of his mental creations, made visible on a few quires of paper, has created an income of two or three thousand pounds in less than half a year, which would require the exertions of the cultivator for half a dozen of years to create. In short, there are few

classes to whom, in general (for there are exceptions), the term create, with respect to income, might not be more characteristically applied, than to that, if I may be pardoned the epithet, of the sweating creator, to whom our unproductive land-theorists do apply it.

But M. Quesnai contends, that there is an essential distinction between the labour of the cultivator, and the labour of the manufacturer. Let the produce of the former be increased to any extent, the demand will remain the same, from the increase in the number of the consumers, which it will maintain. His articles, therefore, not being liable to a permanent excess of supply, their price will always be such as to leave a profit after paying for the farmer's maintenance. But the productions of the manufacturer having no such tendency to increase the number of the demanders, if they be carried beyond a certain amount, or the quantity actually wanted, either a part will remain unsold, or the whole will sell at a lower price. The quantity is thus limited, as well as the price; and the latter will be reduced to the value of the raw material, and of the maintenance of the workman and his master. Manufacturing labour thus adds only a value equal to its own maintenance.

The notion of Quesnai, which has been adopted by the Reverend Mr. Malthus, that, in

the case of subsistence, the supply regulates the demand, is not merely not founded on actual results in real life, but is positively contrary to these, both general and particular. It has been shown by Mr. Gray*, that the universal law of nature with respect to circulation is, that the demand regulates the supply in the case of subsistence, as of all other things dependent on the will of man. All actual results coincide with this. Our farmers have lately (and often before) found to their cost, that subsistence may increase beyond the demand for it, so as to lower the price, just as in the case of manufactures, to such a degree that, far from leaving any profit, it subjects them to a ruinous loss. But I mean to go into a particular discussion of this important question elsewhere.

Let us admit for the moment, that, in subsistence, the amount of the supply does regulate the amount of the demand. What essential difference arises from this as to price? So as the demand and the supply are equal, it matters not, as far as price is concerned, whether the supply regulate the demand, as Quesnai imagines, or the demand regulates the supply, as in real life. Both suppose the buyers and sellers to be equal. The charges forming the

* Hep. of States, Book II. ch. v. and Book VI. ch. ii, iii.

price will be the same, and the ability in the circulators, of the seller to charge, and the buyer to pay, will be the same.

Quesnai, Smith, and unproductive theorists in general, seem to confine their attention entirely to the means of charging, and to overlook the still more material object in this question, the means of being paid. This is the grand source of their errors. The price of things is the medium, by which the circulators of every class are paid; that is, acquire income and capital; and if we analyze this, and attend to the various charges which constitute it, we shall find the charge of the cultivator forming a portion of this medium of payment as distinctly, but in no other shape, than the charges of the other classes.

Our land theorists treat this subject, as if they considered that the charge for *maintenance*, or subsistence, formed the whole, or nearly the whole, of the price of things. But the fact is, that clothing, lodging, service, government, teaching, amusement, and profit, form as real portions of charge in the price of things, as the food consumed during the period of the employment for which the price is obtained. The proportions which these charges bear to one another vary according to the predominant articles used by classes, and to the rates of population and wealth. Accuracy, therefore, on such a subject is unattainable. Price being

that by which circulators obtain their incomes, the amounts of both will correspond *. According to Mr. Gray's conjectural table of these proportions, in the present general average prices of Britain, subsistence forms a charge of about 30 per cent: If we assume this as the proportion, the present average income of British cultivators derived from the produce of the earth, in the form of mere subsistence, is about 90 millions †. But

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The total above stated including only such incomes as were above £50 a year, those under it are to be added; but the amount can only be guessed at. In 1815, there were returns from 474,596 occupiers of land above £50 a year. Those of incomes under £50, amounted to £14,778. The number of families chiefly employed in agriculture in 1811

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If any class of circulators continue to use certain articles, it has the means of charging for them; for, were it not so, it must discontinue the use of them. This is so evident, as to be an axiom in statistics*.

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On the other hand, the manufacturer of clothing articles, for example, out of other circulators, must have the means of charging for, and obtaining payment for, the various articles of subsistence, lodging, teaching, &c. that he continues to use, and profit. Whatever be the form in which any of the class charges, whether as master, or servant, or capitalist, it goes alike into the price: the whole making, according to Mr. Gray's conjectural table, about 14 per cent. on British income, or 42 millions a year. This amount is thus charged upon, and drawn from the cultivators and other classes ac-

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charge for profit, over and above expences, as the cultivator has. And the latter draws part of his extra 67 millions from the former, in the due proportion, as the former draws part of his extra 36 from the latter.

M. Quesnai's distinctions are, therefore, founded merely on imagination, and his statement of results is contrary to actual facts.

With respect to that agricultural charge which we call *rent*, in spite of all the fanciful speculations which have been sported by M. Quesnai and others on it, there is nothing essentially peculiar in its character. It is of the same nature with a thousand other charges. The land-owner lends the use of his land for a valuable consideration, as the ship-owner lends the use of his vessel, the horse-keeper the use of his horse, the bill-discounter the use of his money, the workman the use of his time and hands, and the writer the use of his time and talents. And the land-owner's charge goes into the price of the produce of the land, just like that of the ploughman, the cartwright, blacksmith, tax-gatherer, and the rest.

If we view the land-owner cultivating his own soil, and selling his own produce, as he frequently does in real life, the whole of the fond theorizing about *surplus produce* is quashed at once. This vision is found to be like most of the other peculiarities of this theory of sheer

imagination, a baseless fabric. In the case mentioned, the charges are really the same as in the former ; but they are made in the lump, or by one person instead of two or three, as when the muslin manufacturer, instead of employing another to weave, and a third to sell, weaves and sells himself.

Quesnai and his followers, attending, as usual, more to the peculiarity of form in charging, than to the real sources of wealth, seem to found their imaginations about rent on the idea of this particular charge being an entire gain, for which nothing equivalent was given. This, however, is perfectly incorrect. It is a return for capital invested either in purchasing cultivated, or cultivating waste ground, and, in general, rather a low return.

Land, which is the medium adapted by nature to afford the chief supply of subsistence to men, and the irrational animals, requires a great deal of labour, of skill, and capital, to make it produce the quantity which it is capable of producing. Cultivation is a work not only of much expence, but much trouble and anxiety ; and as those persons who inherit land from their ancestors, or purchase it, are generally wealthy, they will not take the trouble, or run the hazard, of cultivating it themselves. They, therefore, let the use of this medium of subsistence to those who are willing to be at the

trouble of making it productive, for a valuable return. In this they consult their own profit, as much as their own ease. There are some exceptions; but in general, when they cultivate themselves, from their habits being so unsuited to the business, instead of making gain, they incur loss. In their hands land, far from returning a surplus produce of income, is, for the most part, attended with a regular diminution of capital. Few of them but would be thankful to be able to answer like the North British earl, who cultivated a large farm of his own, instead of letting it like the rest. On being asked how his farm was going on, "Extremely well this year, indeed," replied his Lordship: "I have only lost the rent."

Capital invested in land, far from being particularly productive of income, as the theory of the economists holds out, is very much the reverse. Perhaps, on an average, no other mode of investing capital returns less. From three to four per cent. may be considered as the general return; whereas capital invested in manufactures is understood in average good times to bring back from seven to ten per cent. Land is seldom or never so low as 20 years purchase, if the rent be fair, except in very bad times. On the average, it is from 25 to 30 years purchase, and frequently it rises above this. The reason is, that it is a favourite mode

of investing capital with all classes of circulators; and those capitalists who in general purchase it, are rich enough to consider some other qualities fully as valuable as productiveness with respect to income. Land holds out security, rank, political influence, grandeur to them, and they are willing to purchase these at the expence of a part of their profits *.

It might be asked the economist, why fix on that charge of the supplier of subsistence, called rent only, as being of the surplus kind? Why not take in also the farther additional charges of the corn-dealer, flour-factor, and baker, and of the drover, the carcass-monger, and the selling butcher? The charges of all these are added to the price of subsistence as really as that of the land-owner; and income or surplus produce is drawn from subsistence as fully by means of them, as by means of rent.

From this analysis of rent, it is evident, that there is nothing essentially peculiar in it, or any thing to raise a superstructure of productiveness, while other modes of charging are unproductive. It is a charge arising out of the circumstances of land and the habits of its possessors. It is drawn from the other circulators, like any other charge, for it forms a regular item in the price of things, charged on all

* Hap. of States, Book II. ch. iii. p. 124.

classes by means of subsistence. It rises and falls, like all other charges, according to the circumstances of the market. And, as it is by means of it that the land capitalist procures income, and is able to meet the charges of others upon him, we find it, like all other species of circulation, uniformly, on an average, rising to meet the larger demands of the government and the other classes; manufacturers, teachers, and to pay the more luxurious style of living, which springs from the increase of population and wealth.

The income of the other classes of circulators in Great Britain is probably twice the amount of that of the class of cultivators, which is drawn from subsistence. What reason, or shadow of a reason, can be given, that the 210 millions sterling per annum of the former are to be reckoned unproductive, while the 90 millions of the latter are productive? Does not the former income, like the latter, and the latter like the former, afford to the individual and the state the means of obtaining the objects they want? Do not both alike stimulate the circulatory powers, or tend to increase employment? And are they are not alike reciprocally advantageous to each other? The net portion of the cultivator's income, which is charged for mere subsistence in Britain, is 27 millions; but were it possible that human society could exist without any other employment than that which

arises from procuring subsistence, and consequently no charge made but for subsistence, the charge for it, from the diminution of the stimulus derived from other classes, would be considerably under that amount.

But if cultivation were the sole source of additional wealth to a country, how are these 210 millions of income derived from the 90, which include the charges of the cultivator for the articles of other classes? It is self-evident that they are entirely additional, and do not exist in the former, or constitute only an income of a mere transfer cast, to adopt an idea from Mr. Gray's productive theory. How can 210 millions be included in or transferred from 90?

Were we even to grant, that the whole of the produce of the land were income to the cultivator alone, the land-economist would still be in the same dilemma. The present average produce of land throughout Britain, in every form, has been taken as high as 200 millions. But this includes in it a great deal more than the mere materials of subsistence. It comprises the value of the materials of clothing, as wool, flax, skins, &c. of building, wood, straw, stone, lime, &c. of machine-makers and the metal-working classes, as well as fuel, kelp, and the interest on capital borrowed from circulators out of the agricultural division, &c. The cultivator, with respect to these, is to be considered as belonging

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classes by means of subsistence. It rises and falls, like all other charges, according to the circumstances of the market. And, as it is by means of it that the land capitalist procures income, and is able to meet the charges of others upon him, we find it, like all other species of circulation, uniformly, on an average, rising to meet the larger demands of the government and the other classes; manufacturers, teachers, and to pay the more luxurious style of living, which springs from the increase of population and wealth.

The income of the other classes of circulators in Great Britain is probably twice the amount of that of the class of cultivators which is drawn from subsistence. What reason, or shadow of a reason, can be given, that the 210 millions sterling per annum of the former are to be reckoned unproductive, while the 90 millions of the latter are productive? Does not the former income, like the latter, and the latter like the former, afford to the individual and the state the means of obtaining the objects they want? Do not both alike stimulate the circulatory powers, or tend to increase employment? And are they are not alike reciprocally advantageous to each other? The net portion of the cultivator's income, which is charged for mere subsistence in Britain, is 27 millions; but were it possible that human society could exist without any other employment than that which

arises from procuring subsistence, and consequently no charge made but for subsistence, the charge for it, from the diminution of the stimulus derived from other classes, would be considerably under that amount.

But if cultivation were the sole source of additional wealth to a country, how are these 210 millions of income derived from the 90, which include the charges of the cultivator for the articles of other classes? It is self-evident that they are entirely additional, and do not exist in the former, or constitute only an income of a mere transfer cast, to adopt an idea from Mr. Gray's productive theory. How can 210 millions be included in or transferred from 90?

Were we even to grant, that the whole of the produce of the land were income to the cultivator alone, the land-economist would still be in the same dilemma. The present average produce of land throughout Britain, in every form, has been taken as high as 200 millions. But this includes in it a great deal more than the mere materials of subsistence. It comprises the value of the materials of clothing, as wool, flax, skins, &c. of building, wood, straw, stone, lime, &c. of machine-makers and the metal-working classes, as well as fuel, kelp, and the interest on capital borrowed from circulators out of the agricultural division, &c. The cultivator, with respect to these, is to be considered as belonging

that by which circulators obtain their incomes, the amounts of both will correspond *. According to Mr. Gray's conjectural table of these proportions, in the present general average prices of Britain, subsistence forms a charge of about 30 per cent. If we assume this as the proportion, the present average income of British cultivators derived from the produce of the earth, in the form of mere subsistence, is about 90 millions †. But

* Axiom X. p. 11.

† In the year 1814, the income of England and Scotland, from land in property, is stated

to have been	£ 43,889,021
From the produce of land	38,396,148
	<hr/>
	82,285,164
Deduct for tithes, quarries, mines, iron-works, &c. as the value of these arises from teach- ing, building, &c.	4,195,005
	<hr/>
	£ 78,090,159

From this sum should also be deducted the amount derived from timber, bark, straw not eaten, skins, wool, flax, hemp, flowering shrubs, from horses not employed in agriculture, &c. for these do not belong to the division of subsistence. But this amount is not known. It must, however, be considerable.

The total above stated including only such incomes as were above £50 a year, those under it are to be added; but the amount can only be guessed at. In 1815, there were returns from 474,596 occupiers of land above £50 a year. Those of incomes under £50, amounted to £14,778. The number of families chiefly employed in agriculture in 1811

this evidently includes not only their charge for subsistence on that produce, but for clothing, housing, teaching, government, and so forth. Their net charge for subsistence on that produce will therefore be about 27 millions, and the other 63 millions are charged for, and drawn from, the other classes to reimburse themselves for other articles.

If any class of circulators continue to use certain articles, it has the means of charging for them; for, were it not so, it must discontinue the use of them. This is so evident, as to be an axiom in statistics*.

If, therefore, the cultivator use the articles of the manufacturer, the teacher, &c. he must charge for them, and we know he does. For his class in Britain, instead of drawing an income of 27 millions only, on the subsistence which it raises, obtains 90. Were it to forego the use of every thing but subsistence, instead

was 895,998, and probably in 1814 might reach 950,000. This would suppose about 475,000 agricultural families under £50 a year. To take these at £40 a year, would probably not be too high, as most of the children earn something. This would give 19 millions, and the two sums together make 97 millions. If now we deduct the income derived from timber, skins, wool, &c. it is probable, that Mr. Gray's conjectural per centage is not very far from the real one.

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of selling its wheat, for example, at 80s. a quarter, it would part with that grain at such a reduced rate, as would produce 63 per cent. less than its present income, drawn from subsistence. The class is thus, by means of the other classes, enabled to charge 80 shillings, instead of the sum that would pay for subsistence alone. It matters not in what form any of the circulators connected with the production of subsistence charge. Whether it be by holding a plough, by overseeing labourers, or by obtaining rent for the temporary possession of land, if they use other articles besides mere subsistence, they must charge for them, and have the means of paying for them. All go alike into the price of grain, cattle, and so forth, and make up the amount of 90 millions charged on subsistence.

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cording to the respective proportions of their incomes; and they again reimburse themselves by their charges upon him according to the extent of his. Where, then, is the difference between him and the cultivator? There is no more natural limit preventing him from charging and drawing for, by means of his price, the full amount of what he wants, than there is upon the latter. He obtains, by charging, partly through the agency of the cultivator, the various articles he uses, together with an extra profit, as circumstances permit, just as the cultivator obtains the same, partly by charging upon him. And we know from facts, or the universal use among the manufacturing class of the same articles used by the cultivating (and generally even in a higher degree), that he has in reality the means of so charging. Besides, the manufacturing and other classes are constantly purchasing land. They must, therefore, possess the power of obtaining a surplus profit, after paying for their mere expences. The same fact shows, that the cultivator, either from imprudence or occasional circumstances, cannot always obtain a price equal to his expences. Else why should he part with his land? The manufacturer, therefore (and the same thing holds true with respect to all other classes), has as fully the means of adding to his labour the value of the various articles he uses, *and an extra*

charge for profit, over and above expences, as the cultivator has. And the latter draws part of his extra 67 millions from the former, in the due proportion, as the former draws part of his extra 36 from the latter.

M. Quesnai's distinctions are, therefore, founded merely on imagination, and his statement of results is contrary to actual facts.

With respect to that agricultural charge which we call *rent*, in spite of all the fanciful speculations which have been sported by M. Quesnai and others on it, there is nothing essentially peculiar in its character. It is of the same nature with a thousand other charges. The land-owner lends the use of his land for a valuable consideration, as the ship-owner lends the use of his vessel, the horse-letter the use of his horse, the bill-discounter the use of his money, the workman the use of his time and hands, and the writer the use of his time and talents. And the land-owner's charge goes into the price of the produce of the land, just like that of the ploughman, the cartwright, blacksmith, tax-gatherer, and the rest.

If we view the land-owner cultivating his own soil, and selling his own produce, as he frequently does in real life, the whole of the fond theorizing about *surplus produce* is quashed at once. This vision is found to be like most of the other peculiarities of this theory of sheer

imagination, a baseless fabric. In the case mentioned, the charges are really the same as in the former; but they are made in the lump, or by one person instead of two or three, as when the muslin manufacturer, instead of employing another to weave, and a third to sell, weaves and sells himself.

Quesnai and his followers, attending, as usual, more to the peculiarity of form in charging, than to the real sources of wealth, seem to found their imaginations about rent on the idea of this particular charge being an entire gain, for which nothing equivalent was given. This, however, is perfectly incorrect. It is a return for capital invested either in purchasing cultivated, or cultivating waste ground, and, in general, rather a low return.

Land, which is the medium adapted by nature to afford the chief supply of subsistence to men, and the irrational animals, requires a great deal of labour, of skill, and capital, to make it produce the quantity which it is capable of producing. Cultivation is a work not only of much expence, but much trouble and anxiety; and as those persons who inherit land from their ancestors, or purchase it, are generally wealthy, they will not take the trouble, or run the hazard, of cultivating it themselves. They, therefore, let the use of this medium of subsistence to those who are willing to be at the

trouble of making it productive, for a valuable return. In this they consult their own profit, as much as their own ease. There are some exceptions; but in general, when they cultivate themselves, from their habits being so unsuited to the business, instead of making gain, they incur loss. In their hands land, far from returning a surplus produce of income, is, for the most part, attended with a regular diminution of capital. Few of them but would be thankful to be able to answer like the North British earl, who cultivated a large farm of his own, instead of letting it like the rest. On being asked how his farm was going on, "Extremely well this year, indeed," replied his Lordship: "I have only lost the rent."

Capital invested in land, far from being particularly productive of income, as the theory of the economists holds out, is very much the reverse. Perhaps, on an average, no other mode of investing capital returns less. From three to four per cent. may be considered as the general return; whereas capital invested in manufactures is understood in average good times to bring back from seven to ten per cent. Land is seldom or never so low as 20 years purchase, if the rent be fair, except in very bad times. On the average, it is from 25 to 30 years purchase, and frequently it rises above this. The reason is, that it is a favourite mode

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It might be asked the economist, why fix on that charge of the supplier of subsistence, called rent only, as being of the surplus kind? Why not take in also the farther additional charges of the corn-dealer, flour-factor, and baker, and of the drover, the carcass-monger, and the selling butcher? The charges of all these are added to the price of subsistence as really as that of the land-owner; and income or surplus produce is drawn from subsistence as fully by means of them, as by means of rent.

From this analysis of rent, it is evident, that there is nothing essentially peculiar in it, or any thing to raise a superstructure of productiveness, while other modes of charging are unproductive. It is a charge arising out of the circumstances of land and the habits of its possessors. It is drawn from the other circulators, like any other charge, for it forms a regular item in the price of things, charged on all

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partly to the classes of manufacturers, of builders, and the rest. Yet though these materials derive their value from the peculiar employments of other classes, the charge for them is made by the land-owner or farmer, and is represented in the price of land produce. Were we, however, even to allow him to assume the whole of this amount as his own annual income, which would be perfectly incorrect in statistics, as well as in fact, still there are 100 millions of additional income, more or less, all, to use the land-economist's metaphor, created by the other classes of Britons.

As a country grows more populous and rich, the income derived from land, though it increases like that derived from other species of circuland, bears a decreasing proportion to the amount of the latter*. This is a decisive proof from actual results, that the latter is of a productive nature, or tends to increase the wealth of the community.

But farther: were there no other employment provided by nature except that arising from the production of subsistence, a great portion of men must have been without employment, or the means of charging, or they must have had a very small proportion to what they now enjoy. Cultivation, in its present improved state with us, only employs 1 out of 6 or 7†. In the

* Hap. of States, Book II. ch. iv. p. 73.

† Id. Book VI. ch. iii. p. 439.

supposed state of nature, the stimulus being so much inferior, the skill, capital, and industry would have been much less. Perhaps subsistence might employ those inferior cultivators in the proportion of 1 to 4 of the mass of population. What, then, would have been the case? Either three fourths of the population must have been unemployed, or, on an average, three fourths of the working time of the whole must have been idle. To the other species of circulation, therefore, we owe at least three fourths of our present employment, and necessarily all the income and wealth derived from that mass of employment.

Actual results, or facts, thus agree with the reasoning from principles which do not admit of a doubt, to demonstrate that the line drawn by M. Quesnai and his followers on the productiveness of the cultivating class alone, is a mere fancy, springing from misconception: a line not only utterly unknown to nature, but directly contrary to what is really true of her arrangements. That class, according to these, derives its income chiefly by means of the other classes, as they derive theirs partly by means of it; and therefore, it is productive of wealth only just as they are, and for the same reasons.

CHAP. IV.

The unproductive Theory of Dr. Adam Smith, which admits the Productiveness of other Classes besides that of the Cultivator, but restricts it to certain Forms of Labour.

THE theory of Dr. Smith has nearly supplanted that of M. Quesnai with us. It is true, that of late some statisticians who have attained to name, have shown a leaning towards M. Quesnai's notions respecting land; but Dr. Smith's ideas concerning the productiveness and unproductiveness of certain classes still form the fashionable theory in Britain.

This theory is merely an extension of the former. It has only extended the line of productive: but it still draws a line of essential distinction among circulators. In what he makes that line precisely consist, I really do not clearly understand. Nor have I met with any of his followers that can assist me. Mr. Gray, with some others, has called it *the land and labour** theory: but

* He himself views it in this light: "Whatever, therefore," says he, "we may imagine the real wealth and revenue of a country to consist in, whether in the value of the annual produce of its land and labour, as plain reason seems to dictate"—*Wealth of Nations*, Book II. ch. 3.

this is not correct. For though he adds to land labour not connected with it, his theory does not admit all sorts of labour. He expressly affirms, "There is an unproductive labour." And, indeed, to whose exertions can the term labour be more strictly applied than to those of the soldier, the fighting sailor, the conscientious clergyman, the lawyer, the schoolmaster, the man of letters, the menial servant? and yet all these he reckons among the unproductive circulators. He thus proscribes an immense mass of several of the most useful species of labour.

But it will be fairer to let him speak for himself, and examine what he says :

"There is one sort of labour," he affirms*, "which adds to the value of the subject on which it is bestowed: there is another which has no such effect. The former, as it produces a value, may be called productive, the latter unproductive." This merely points out something distinct in the mere form of labour. But it is not true, that there is any labour which is *charged for and paid for* †, which does not add a value to the subject on which it has been bestowed. This, in fact, would be an express contradiction in terms. Nor is there any la-

* Wealth of Nations, Book II. ch. 3.

† Payment by means of any other article is here intended, and not that by the exchanging medium, or money only.

bour, be its form what it may, which is neither charged for, nor paid for, that does add to the value of what it is bestowed upon. The value-producing power, therefore, lies not in the form but the chargeability of labour, or its capability of bringing a price. It is presumed that it is unnecessary to repeat what has already been noticed, that, in the question under discussion, which respects the operation of the incomes of the various circulators on one another, the exchangeable value of the different species of circulant is meant, unless something else is expressly mentioned.

“ Thus the labour of a manufacturer,” proceeds Dr. Smith, “ adds, generally, to the value of the materials which he works upon, that of his own maintenance and of his master’s profit.” This will be correct, if *maintenance* be used in the extended sense of what is charged, in fixing the price of wages, for “ food, clothes, housing, taxes, education, and so forth *.” But if it be used in what seems the sense of the land-economist, for subsistence alone, it is quite inaccurate.

“ The labour of a menial servant, on the contrary, adds to the value of nothing.” What ! not a person in the three kingdoms, or any where else, that keeps and pays a servant, but

* Hap. of States, Book II. ch. viii. p. 108.

will prove to him that this is false. The servant adds to what he is connected with by his mode of employment the value of service, or the amount of his charge on that account for food, clothing, housing, and so forth. In certain families, the additional value created by this useful species of labour, is very considerable. And the article called service, is as really charged for by the master in the price of what he sells, as the articles of bread, clothes, and lodging.

“Though the manufacturer has his wages advanced to him by his master, he, in reality, costs him no expence, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed.” This is granted. “But the maintenance of a menial servant never is restored.” Then how could such an immense number of families in this and other countries continue to keep servants? This expensive practice could not be persisted in unless they were enabled to charge for menial service in the price of what they sell, and thus to reimburse themselves for it, or get the maintenance, clothing, and lodging, of the menial restored*. The charge is made as fully by the master for his house-servant as for his servant in the manufac-

* Axiom VI. p. 10, and Hap. of States, Book II. ch. iii. p. 52.

tory. Both these charges alike enter into the price of what he sells, and alike are drawn from the public or his customers by the same medium as that price.

It is evident that Dr. Smith here confounds the nation with the individual, as indeed he uniformly does, in discussing the grand question of productiveness. This mistake has led him and many others into the most serious errors. Income circulators and expenditure circulators affect the individual very differently. By the former he derives income, and by the latter he spends it, and enables others to obtain an income in their turn. But, they both alike add to the income of a country; and, indeed, even ultimately to his own. Were it possible, that a great mass of individuals could hoard their income entirely, circulation would become so languid, that the other circulators, from not acquiring the usual quantity of income, could not buy so much from the former as usual. Their income, therefore, would either not be renewed at all, or at least be very considerably diminished.

“The labour of the manufacturer fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up, to be employed, if necessary, upon some other occasion. The labour of the menial ser-

vant, on the contrary, does not fix or realize itself in any vendible commodity." But how does all this render the charge of the latter a whit more really unproductive than that of the former, except as to any difference there may be in amount? Till the manufacturer disposes of his articles, and gets payment for them, let them be in ever so solid and fixed a state, he derives no income from them, and then he derives it from others. The menial servant has a vendible commodity of a different form, which he sells by the week, month, or any other period, for the usual average price. Service, in fact, does in general produce some fixed, visible, and substantial results, or works. But it is not the qualities of fixedness, and substance in these, more than in those of the manufacturer, which produce income: it is their quality of chargeability, or their power of bringing a price.

Strip this *solidity* or *fixedness* of an article, to which Dr. Smith annexed such essential importance, of its *chargeability*; and where is its productiveness? Of what value is it now in an exchangeable point of view? None at all. It creates no new employment whatever, and has not the least influence on circulation. It is totally unproductive. But let any article, it matters not what its form, be endowed with chargeability, and it is of value up to the amount of this quality possessed by it. The article

now is really productive. It produces income and capital to its owner, and, by means of expenditure again, employment, income, capital throughout the whole mass of circulators.

Dr. Smith proceeds: "The labour of some of the most respectable orders in society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject, or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured." What then? Their labour procures as really what is the object of all, a price, as that of the form pointed out.

"The sovereign, for example, with all his officers, both of justice and war, who serve under him, the whole army and navy, are unproductive labourers." Why? Do they not obtain a real price for their labours, and, by means of that price, enable others to obtain a price for theirs?

"They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people." No more than these other people are maintained by a part of the annual produce of their industry. The former charge upon the latter, as these charge upon the former, for their income.

"The production, security, and defence of the commonwealth, the effect of their labour this

year, will not purchase its protection, security, and defence for the year to come." As much as the circulant of any other form to the comparative extent of its price.

"In the same class must be ranked, some, both of the gravest and most important, and some of the most frivolous professions; churchmen, lawyers, physicians, men of letters of all kinds, players, buffoons, musicians, opera-singers, opera-dancers, &c. The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour; and that of the noblest and most useful, produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production."

This is utterly false in statistics. Though the work, or thing charged for, ceases itself to exist, its effects remain, and are as permanent as those of any vendible commodity of the farmer or manufacturer. Does the amount charged by a singer, a player, an advocate, or a preacher, cease to operate, because the song has been sung, the play acted, the speech spoken, or sermon preached? Do not the fifty and even hundred pounds a night, received by some of our more eminent singers, and players, for the

exertions of a few minutes, or of an hour or two, tend as really and permanently to affect circulators, as the same amount obtained more tediously, by the means of solid and bulky commodities? Is the sum obtained by the singer or player not spent, wholly or in part, in employing the farmer, the baker, butcher, manufacturer, clothier, mason, upholsterer, in paying the charges of government, &c. or else invested, wholly or in part, as capital, in some form or other, to procure additional profit? And to pay for this charge of the singer or player, do not the other circulators make a countercharge? The effect of the charge made and obtained by the singer or player for their vendible commodities, though consisting chiefly of sound and gesture, are as real and permanent as those of the farmer and manufacturer. It is indeed precisely the same. The only difference would arise from the quantum charged. This fundamental position of Dr. Smith, therefore, has no basis in nature, but is directly contrary to real causes and real results.

The fixing and realizing of value in some permanent object, which he means for the line drawn by nature as to productiveness or unproductiveness in point of wealth, is so far from

* Axiom VI. p. 10. *Hap. of States*, Book II. ch. 11. p. 138—141.

having any power of the sort in real life, which he attributes to it, that the object must cease to be permanent in the hands of a circulator, before it can possess any stimulating or productive exchangeable value. Let the farmer produce as much corn as he chooses, of what value is it to him, unless he can pass it to others for some other valuable thing that he wants? And the same thing is exactly true of the manufacturer and his solid fabrications. Suppose circumstances were to arise, and they do frequently happen, both to individuals and to whole districts, that neither the farmer nor manufacturer can sell their solid vendible commodities at all, or for a price equal to what these cost them, their existence in a permanent form is, is the one case, of no value whatever, and, in the other, not of sufficient value, but productive of loss. A vendible commodity, therefore, must actually be vended, and vended with a profit, in order to be productive either to the seller himself, or to other circulators in the subsequent process of circulation. *Its solidity without chargeability is, as has been already stated, of no value whatever.*

Whether the charge for an article takes place by a vender at once, or by several venders through whose hands it passes, if the amount be the same, the result is the same. And the difference in the quantum of charge makes no

essential difference in productiveness, but only in the amount. If a manufacturer of soap, for example, sells his soap at once to the actual consumer, or washerwoman, for 10d. a pound, and gains three halfpence by it, the productiveness of this article is as real and as great, as if it passed from the maker to the wholesale dealer, and from him to the shop-keeper, and from him again to the consumer, each charging a halfpenny per pound of profit. Had each of these three sellers been able to charge nothing additional, its solidity and exchangeability would have produced no income, and, of course, no subsequent employment, by means of expenditure. Its passing through three or thirty hands would make no difference. It is, therefore, the act of exchanging for price, or drawing a profitable return from others, afterwards to be used as expenditure or capital, that renders an article productive to the individual circulator, or to the nation. Its solidity, or its capability of passing through various hands without chargeability, has no productive effect at all.

This line of Dr. Smith, between really productive and really unproductive, has, therefore, no existence in nature. The quality, or cast of form, to which he attributes it, when divested of chargeability, has in itself nothing stimulating or productive. And those articles, or species of circulant, which have not this quality or cast

of form, but are possessed of chargeability, have precisely the same productive or stimulating power, both to the individual seller and to others, as the former, when they are endowed with that quality.

This imaginary line would indeed exclude a considerable portion of the circulant which he calls productive, and would admit much that he reckons unproductive. It would exclude all those articles that are sold by the farmer or manufacturer to the actual consumer; for the latter uses them as expenditure; and, therefore, no quantity of labour is afterwards procured for them. It would also admit many species of employments as productive, which he excludes as unproductive; for example, those of men of letters and musicians. The ideas of Shakespear, Milton, Addison, Thomson, Hume, Blair, Buchan, and the combinations of tones of Handel, Arne, Mozart, Shield, have been, and continue to be productive of a value which "fixes and realizes itself in a permanent subject or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour can afterwards be procured." One race of booksellers and music-dealers has succeeded to another, and the ideas and combinations of tones of those circulators of Smith's unproductive classes still exist, and prove an increasing source

of income, and for which an increasing amount of labour can be obtained.

Dr. Smith's theory, therefore, were it even in any shape founded in nature, is at variance with itself. Indeed, were it admitted, it would render statistics a mass of inexplicable facts, and of contradictory causes. It leads us either into confusion or falsehood. In point of clearness and consistency, it is certainly inferior to that of M. Quesnai. The latter is more definite, and, though it leads equally into falsehood, it does not bewilder us with so much self-contradiction and confusion.

When distressed by the results in real life, and the reasonings arising out of the productive theory, some of the followers of Dr. Smith tell us, that, though they may not be able to point out precisely the line between productiveness and unproductiveness, still there are productive and unproductive classes. What! is the statistician who is inquiring after the real causes and real results in nature, to admit a line of this essential sort, which cannot be either defined or shown to exist? Is he, in compliance with the fanciful distinctions of certain theorists, because they have obtained a high name, to allow the benevolent arrangements of nature to be misrepresented, and her genuine designs calumniated, as if she had formed certain classes on purpose to injure the rest? Is he to adjust her causes and

results to their preconceived fancies? Or is he, in deference to their partial views, to suffer a sentence of pauperism to be inflicted on a great portion of the human race?

My object, however, to repeat what I have already said, is not to carp, but to inquire, and to reach truth on this most vital question. I am willing to be as easy with Dr. Smith's theory as with M. Quesnai's. Though the line drawn by the former is evidently unreal and unwarranted, I shall suppose, for the purpose of further examination, that a similar result may, perhaps, be drawn from other and sounder premises. It appears to be Dr. Smith's aim, in his definition of the productive, to point out manufactures and trade in addition to agriculture. To this may be added building, though his imaginary line would cut off a portion of all these four branches of circulant. His followers in general look on the three former at least to be of the productive genus, though they seem inclined to rank themselves with the commercial party, and to give the pre-eminence to manufactures and trade. Without, therefore, at present insisting on their drawing a specific line, or making nice distinctions, let us allow them to maintain loosely, that the whole, or at least the greatest part of agricultural, manufacturing, commercial, and building circulant, is productive, and that the other branches are unproductive.

The believers in Smith's theory adopt the same plan with respect to their productive circulant, as Quesnai's followers adopt with respect to his. They assume, as a thing which must necessarily be taken for granted, that it is productive; but the impartial statistician will no more make an assumption in this case than in the other. The manufacturer labours expressly for others, and consumes a portion of their income in obtaining payment for his articles and income to himself. Do his charges, therefore, tend to render them less productive? or to assist them in procuring a larger income? In this case there is no necessity at present for going into a minute analysis of facts. His articles consume for the time part of the income of others: but then, by procuring to himself income, and capital if he chooses, it becomes the means of fresh employment to others; and, therefore, is productive of wealth.

But in what respect does it differ from other species of circulant, so as to be productive, while some others are unproductive? It creates employment in the fabrication; the result is charged for upon the buyers; and they charge for it in their prices. It is thus evident, that it derives its value by means of others; for, unless the manufacturer's articles are sold, and sold to profit, as he often unfortunately knows too well from experience, they are either wholly unpro-

ductive, or partially so, and instead of producing additional income, they are a source of real loss. His labour or employment is thus productive only in the way of all other species, by the result being the medium of price and income drawn from others.

The theory of Smith has, however, one decided advantage over Quesnai's: it agrees better with facts; though it by no means entirely agrees with them. Nations that are extensively engaged in manufactures and trade are uniformly more wealthy than those who are chiefly engaged in agriculture. This is contrary to Quesnai's theory, but it coincides with Smith's. The reason of this greater approximation to truth is, that the latter allows more of the price of things, or of the income of the community, to be productive.

If we rigidly exclude that portion of the manufacturing and building incomes, which the line Dr. Smith has drawn at least renders doubtful, perhaps the productive income of Great Britain, according to his theory, would be little more than 50 per cent. on the whole. But if we include their total amount, the productive income, by Mr. Gray's conjectural table, will be 28 per cent. more than according to M. Quesnai, or 58 per cent. Dr. Smith, by this increase in the productive percentage, adds 64 millions, making the productive income of Bri-

tain 174 millions, and leaves for the unproductive per centage 42 per cent. which, on the total of British income, is equal to 126 millions.

But where is the reason founded on real causes, or actual results, for cutting off this 42 per cent. or 126 millions? Is this portion not entirely additional? Or how is it of the transfer, or injurious kind with respect to the 58 per cent. or 174 millions, more than this is of the transfer, or injurious kind with respect to it? The agricultural, building, and manufacturing classes charge in the price of what they sell on the legal, medical, clerical, teaching, amusing, and serving classes, and the various classes that derive their income through government, the amount charged by these, as the latter charge in what they sell the amount charged by the former. *They are each paid alike by means of the others.* Those producing the 42 per cent. in no other respect derive their portion of the national income, from those producing the 58 per cent. than the latter from them. Did the agricultural, building, and manufacturing classes, not charge the 42 per cent. of the others in the price of their articles, their income would be only 100 millions, instead of 174. Indeed, it would not be so much, for they would lose the stimulus created by the latter, and the means of obtaining a better income afforded by their custom. The income of these other classes is entirely

additional to the nation, as well as that portion of their own, which is derived from the additional stimulus created by these.

The business afforded by those species of circuland, in which those classes of circulators that have been stigmatized as unproductive deal, enables a greater portion of the human race to employ their time profitably. The circulators by means of these are not so numerous in proportion to their amount of income, and the employment they create by means of their expenditure, as the more laborious classes, because they are richer: but with their families depending on them, they form a very numerous body. They constitute at least one third of the active circulators in a country that has reached such a state of population as Britain. Were it not, therefore, for these species of circuland, one third of the active circulators of a populous nation would either be unemployed, or the whole would be employed, on an average, for only two thirds of the present amount of their time of profitable employment. The whole of this additional time profitably employed, is so much gain to the nation.

The productive line of Smith and his followers, that takes in cultivators, builders, and manufacturers, and excludes the other classes of circulators, is, therefore, as visionary and unfounded in facts, as that of Queenai, which in-

cludes cultivators only. Such a separating line is the mere creature of fancy and misconception. It has no existence whatever in nature; and farther, it supposes results, which are directly contrary to such as hers are uniformly found to be.

CHAP. V.

The productive Theory of Mr. Gray; or, the positive Productiveness of all Classes of Circulators.

HAVING found that the line attempted to be drawn by the unproductive theorists, is utterly unwarranted by real causes and results, we must, of course, admit the positive productive theory. A class cannot surely be, on an average, unproductive and productive at one and the same time. Let it be but productive of additional wealth in the smallest possible degree, still it is not unproductive.

Mr. Gray maintains the productiveness of all classes of circulators in the fullest extent. According to his views, there is no actual line in nature, which makes any distinction whatever among the various classes as to productiveness. No class, however different in form may be its circulant, or means of charging, is in pos-

session of any wealth-creating power, which is not derived, directly or indirectly, from the others, and possessed in like manner by them. Nay, farther, on the present arrangements of nature, it is utterly impossible that any such line can exist. From the mode of forming, deriving, and using price in these arrangements, each class is necessarily productive of additional wealth to the community; that is, renders all the rest more wealthy than they would be without it.

The following are the outlines of his theory on the subject of circulation, and productiveness in point of wealth.

Every human being is a circulator, either directly of himself*, or indirectly by the agency of others, and is alike subject to the laws of circulation †.

Every circulator is connected with society in two ways: 1. by means of his income, and, 2. by means of his expenditure. He is a seller and buyer in one: selling in order to buy, and buying in order to sell ‡.

The article or medium by which he is a circulator, Mr. Gray terms his circulant. This consists of "the materials on which labour and

* The female circulator is by no means excluded here, but for the sake of brevity, she is supposed to be included under the male term.

† Hap. of States, Book II. ch. iii. p. 47, 54.

that are exerted, labour and skill themselves, and the produce of labour and skill*."

Circuland "enables the possessor to charge for it, or to draw on the common fund†." This common fund consists of the various incomes of the circulators, or of the prices they charge on one another for the articles in which they respectively deal. Throughout the whole mass of circulators charge is met by charge‡.

The chargeability of circuland is thus the sole quality which produces wealth. All other qualities belonging to it, or combinations of them, have a wealth-producing influence only by means of their operating on, or by, this. They affect the *quantum*, not the *reality*, of productiveness.

There are, however, cases of circuland in which no additional charge is made, such as that of "money at par in the act of exchanging." All classes of circulators are alike liable to be in such a predicament. The farmer, as well as the musician, the manufacturer, and the lawyer, frequently in disposing of their articles, cannot obtain more for these than they cost, in the purchase or the expence of procuring them: and, indeed, sometimes lose by them. These Mr. Gray calls transfer-cases, as producing neither additional income nor employment. When a

* Hap. of States, Book II. ch. i.

† Id. Book II. ch. i.

‡ Id. Book II. ch. xii. p. 146, 148.

profitable charge takes place, the circulant is productive: where no profitable charge takes place, it is a transfer case*.

It is not at all necessary that money, which is merely a set of counters, should intervene to complete making, what is called, a charge on this theory; or to constitute effective chargeability. A farmer, for example, might perhaps feed himself, without having recourse to other classes by exchanging. Cases of this kind may occur among colonists, at the commencement of an attempt to people and cultivate a country. Something also like this is done by every farmer, though not purely without the intervention of others. This, however, does not affect real chargeability. That quantity of bread and meat, which he, his family, and servants consume, may not have passed in exchange at all, but may have been drawn entirely from his own fields. They still, however, form as real a part of his expences, as if he had purchased them with money. Had he not consumed this part, he could have sold it, like the rest, at the current price of the market. It forms part of his expences, and it must be, and is; therefore, as really and fully charged for in the price of his articles, as those articles which he procures, by

* Hap. of States, Book II. ch. i. p. 23. See also p. 64, 180, &c.

exchanging from others. Just so with the clothier. He may clothe himself out of the cloth he makes, but he charges for it on the cloth he sells. The same thing is true of every class, that of the builder, the teacher, the medical circulator, and the rest. That part of the expences of each, which consists in what each in his own line does for himself, though no exchange with others takes place, is as really charged for, as what each does for his customers.*

Next with respect to the movements of circulation.

The great moving power is found in that law of nature, which renders *what is expenditure to one individual, necessarily the source of employment and income to others*†.

The act of the circulator, by which he charges on others, and procures income, and, of course, creates expenditure; in a word, which constitutes him a circulator; whether that act consists of corporeal labour, or mental exertion, or the mere signing a receipt once a quarter for interest or profit by the rich capitalist, Mr. Gray calls by the general name of *employment*, or the means of charging.

* Hap. of States, Book II. ch. viii. p. 108: ch. xi. p. 133, 140, &c.

† Id. Book II. ch. iv. p. 70.

The increase of population, by creating new desires and wants among the circulators, as well as enabling them more effectually to gratify these, keeps constantly enlarging the variety and amount of employment, or the means of charging, and consequently of income and capital throughout the whole mass*.

That increase tends also gradually to raise the average general price of things. For this is made up of the various charges of the circulators for subsistence, clothing, housing, governing, teaching, &c.; and the greater the variety, or the larger the amount of these articles they use, they, of course, must charge higher to pay them. The higher again the charges of the various circulators, the greater the amount of the employment produced; for the income arising from them is spent in employing others. Thus the increasing amount of employment, and the higher rate of price, prove reciprocally cause and effect to each other†.

The various offices, or sorts of employment, which arise out of the wants, enjoyments, or passions of men, and which thus increase as population increases, instead of counteracting, assist each other in the production of wealth. They tend to employ circulators more constantly than they would otherwise be. Each

* Hap. of States, Book II. ch. ii. p. 29, 33.

† Id. Book II. ch. ii. viii. x. xi.

not only withdraws more or fewer hands from the rest, and then leaves a greater amount of their peculiar circulant or employment to be shared among them, which, of course, fetches a better price; but on the other hand, by its own custom, increases the demand, and affords them a larger mass of income to charge upon. Every new species of circulant, or every additional cast of employment, thus tends to add to the wealth of all classes. It necessarily, indeed, augments the price; but by affording a new additional market, it ultimately enables them, not merely to charge for this, to reimburse themselves, but to add a little more for the purpose of better living*.

The demand, on the average, regulates the amount of the supply in every species of circulant depending on the will of man, as well as the number of the circulators that deal in it. And what is regulated by the demand, must, of course, possess chargeability in a profitable degree†.

The form of circulant, therefore, cannot make any difference. "Whatever be that form, whether it depend principally on the mind, as literary composition, or on the body, as mere labour, or equally on both, as those parts of

* Hap. of States. Book II. ch. iv.

† Id. Book II. ch. v.

manufacture which require science as well as manual adroitness, or whether it be independent of both body and mind, as raw materials," it alike possesses the quality which produces wealth, that is, chargeability: it is the medium or vehicle of charging. Each, therefore, is alike the source of income, and may be of capital and wealth to the class that deals in it. Now, as each of these classes creates additional employment to others, all must necessarily be productive of wealth to the state, or each render all the rest richer than they would be without it*.

This is the general idea of Mr. Gray's theory, or what he calls the productive theory of nature.

The unproductive theories seem to have been formed from partial views of the case. The authors and their followers consider the circulator merely as a seller, without regard to his relation to the buyer, or his customer, and turn their attention almost entirely to the form of what he sells. But in nature, ere he can become a seller, he must find a buyer; and the form of the article is of no value whatever without chargeability. Of this we have striking instances constantly occurring. The greatest and most useful preparations for charging are rendered of no effect, because, from the circum-

* Rep. of States, Book II. ch. i. &c.

stances of the market, he cannot dispose of the articles, or render them the actual means of charging. The form is the same as ever, and yet it is of no value to him.

In the productive theory, the circulator is viewed as he actually exists in real life, in connexion with others: as a seller deriving his profits from buyers.

The process of paying, as that by which the charge is rendered really productive, is the vital matter. How is the customer of the farmer, the manufacturer, the teacher, the soldier, enabled to pay them? For unless these circulators can obtain payment, what would be the use of their making a charge? But our unproductive theorists, in constructing their theories, overlook this essential point, without a full regard to which no general theory concerning circulation can be accurate. Indeed they seem, as it were, studiously to avoid analyzing it. Whether this be the real fact, I do not know. But it is certain, that this process stares their *ex parte* theories so full in the face, and gives them so complete a negation, that it is not to be wondered at, if they should turn away from viewing it. The productive theory, on the other hand, fully considers this process, which consists in meeting charge by charge. Indeed that theory is built on its results.

If there be a quality which renders circulant

productive, and without which it would be unproductive, that must be the immediate source of productiveness. This is found in *chargeability*. The peculiar form or character of certain species of circulant, on which our unproductive theories are built, have nothing productive in them without this; for when they are deprived of it, they are of no value as to producing income. Every article which circulators are able to sell, possesses this quality, and, when regulated by the demand, in a profitable degree. All species of circulant when so regulated, and, of course, every class of circulators, must, therefore, be productive. This is decisive.

In real life we find every human being, either directly or indirectly, a circulator. The sex or age makes no difference. Even the babe must eat, and be clothed, and housed; and, if of a certain rank, it is nursed by a person hired for the purpose, and attended occasionally by the medical man. It thus gives employment from its very birth to the farmer, the clothier, the builder, the upholsterer, &c. It does not in general possess the means itself of paying for this, but its parents or relations, or others do, and they charge for its expenditure as forming part of their own. It is thus as real a circulator, and by creating employment, and being charged for in the price of things, has as real an influence on circulation, as the most exten-

sive circulator, who charges directly for himself.

To escape being a circulator in the midst of society is next to impossible, if not strictly impossible. In order to achieve this, the being must dig a house for himself with his hands, or with pieces of stone, must draw the food from the fruits of the earth, which grow on an unappropriated heath: he must be clothed with the skins of wild animals that feed on this. For if he uses any thing whatever that has passed through the hands of any circulator, and of course was charged for, or diminishes any thing which any circulator would have used and turned to profit, he becomes a circulator to that amount, and has an influence on circulation. Should, however, any such Robinson Crusoe, as has been described, exist, he is not a circulator. But all others are circulators, and are alike subject to the laws of circulation. Whether they deal in the necessities, or the superfluities of living, they are all alike necessarily governed by its regulations, and have all a similar influence on its movements.

From the very nature of circulation it is perfectly clear, indeed it seems to me to be almost self-evident, that there can be no essential distinction or line between the classes of circulators, or any peculiarity among them, which renders some on the average productive, and

others on the average unproductive of national wealth.

Individuals of all classes, whether farmers, manufacturers, builders, shop-keepers, merchants, lawyers, medical men, teachers, musicians, painters, military and naval officers, often find to their cost, that their respective circulands are very capable of becoming unproductive, or of the mere *transfer* kind, and even of producing loss. This is when they cannot charge more for what they deal in, than what it cost them in expences, or what they gave for it, if they purchased it. All species of circuland are subject to this loss in certain portions, and even in the whole for a certain time. But no such thing can take place on an average, otherwise the class would cease to exist, as it could not obtain an income from its peculiar species of circuland*.

If any class could be, on the average, unproductive, it could only be from a suspension of the common law of circulation with respect to it. From something in its mode of charging, it necessarily diminished the income of others, while it did not return what it drew, by means of its income, from the common fund, back again, by means of its expenditure, into that fund. The absolute miser approaches to some-

* See Axiom VI, p. 10.

thing like a circulator of this cast. What he obtains in the shape of wages, or of profit on capital, he looks entirely up. Still, however, this foolish circulator, though he does not give so much stimulus to circulation, as he might do, has some influence. If he be a circulator without capital, by working, or by teaching, he draws something from others, which they must charge for; or, if he be a capitalist, though he stops part of his income in the circle, and renders that portion useless by withdrawing it from circulation, yet his former capital enables others to be more active circulators; and as either, he must expend something, however little, for the necessaries of life.

Could any class of circulators be permanently injurious to the others, it must be from some tendency in their peculiar sort of circulation, to diminish the capital of the latter or the nation in general, and, of course, the amount of employment and means of income. This effect is attributed by Dr. Smith to the circulation of the classes which he calls unproductive. And if we except the effects of certain circulation on morals or health, which do not affect the present question, as this seems the only possible way, by which any class can become permanently unproductive to a state, it will be useful to examine what he says on the subject.

"Great nations are never impoverished by

private, though they sometimes are by public prodigality and misconduct. The whole, or almost the whole revenue, is in most countries employed in maintaining unproductive hands. Such are the people who compose a numerous and splendid court, a great ecclesiastical establishment, great fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expence of maintaining them, even while the war lasts *."

This very superficial view of the subject shows a strange unacquaintance with the principles of circulation, and the means by which wealth is actually produced and increased, or, at least, a strange inattention to them in so observing and sagacious a writer as Dr. Smith. Do not these persons, from the very nature of circulant, as being circulators, that are able to charge for their peculiar employment, obtain an income, whether in war or peace, which the other classes countercharge for in their prices? while by expending this income, they afford additional employment to those other classes, or means of charging, which they would not have had without them †.

"Such people, as they themselves produce nothing, are all maintained by the produce of

* Wealth of Nations, Book II. ch. iii.

† Axiom I. p. 9.

other men's labour." This unfounded notion has already been refuted. I have, therefore, only to repeat, *no more than these other men are maintained by a part of the annual produce of their industry. The former charge upon the latter, as these charge upon the former for their income.*

"When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year." These observations are founded on a complete misconception of the nature of circulation, the laws which regulate circulation, and of price. If any class should be multiplied to an unnecessary number, the effect of a supply which exceeds the demand would take place: that is to say, the class would not be able to charge more on the whole, because the unnecessary portion could either procure no employment, or would share it with the rest: the average quantum of individual employment would thus be reduced, and the whole rendered less profitable. The class, therefore, would necessarily decrease in number*. But this applies alike to all classes, and has no force of the kind intended, when applied to any particular class. For it is equally true of the ploughman and the

* Hap. of States, Book II. ch. v. p. 79.

musician, the weaver and the teacher, the brick-layer and the servant of all work.

The army and navy classes, indeed, require a special consideration; for the number of these is not regulated by themselves, but by the positive vote of others. Their incomes are drawn from the other classes, as well as partly, by means of their expenditure, from their own, through the medium of taxes.

The income of these classes being fixed by authority, as well as their number, the natural power of the demand over the supply is in their case taken away. The increase or diminution of their number does not, as with respect to other classes, affect the rate of their income. Its influence in circulation is equal to the fixed amount. This will be more particularly noticed afterwards.

The amount of the taxes imposed to pay the military income, is charged for by the various classes either immediately or ultimately. And many of them by making a higher charge than the tax requires, obtain an additional income by the impost. Where then is the difference between this case and that of the farmer and the manufacturer, when they make a higher charge for their articles? On the other hand, the income of the soldiers and sailors, by becoming expenditure, enlarges at once the mass on which circulators charge, and thus creates an addition to

the former employment equal to its amount. In some cases, the increased charge arising from naval and military circulant, is better than that from the agricultural or manufacturing, as it uniformly supposes an increase of income: but the latter sometimes arising from a scantier crop or dearer materials, produces no increase of income, and, of course, creates no additional employment.

The word *consume*, here applied to the influence of the income of one class of circulators on that of another class, though very familiar, and though the application be very common, alludes to some imaginary effect of the unproductive theory; but such a result is utterly unknown to nature. *Throughout all classes, what is expenditure to one individual or class, is the source of employment and income to the others**. This is her immutable law; and it is the grand power which produces all the movements of circulation. Dr. Smith, therefore, had not been sufficiently aware of it and its results, or he would have seen that no consumption or destruction of the income or capital of any class of circulators can be caused by the increased income of others. He would have seen, that an additional income in one class, must create an additional amount of employment and income to

* Axiom III. p. 9.

others : and the result of this he would necessarily have seen to be, not that the next year's produce of the other classes, as far as it depended on this increase, would be less, but that it would be greater. Whatever may be the fact on the economist's plans, this is uniformly the result on nature's.

It is true, that occasionally some species of circuland are apt to attract or withdraw some of the capital usually employed and really wanted, from the others : for example, the manufacturing from the agricultural, and the building or musical from both. This, of course, must be attended with inconvenience, and even injury, to the latter. It is, however, merely a matter of transfer with respect to the state. What one loses, another gains. And it does not affect the present question of productiveness, for it is what all species of circuland are alike liable to occasionally. *The uniform average result of increased employment, whatever be the form or character, is not consumption, but extension of capital.* An increase in the income and capital of any species of circuland, necessarily tends to augment the income and capital of all the rest, which the demand renders necessary ; for it creates a general increase of employment by means of the increased expenditure. Circulators universally find, that, in proportion as employment is sensibly increased, and, of course,

78. THE PRODUCTIVE THEORY OF MR. GRAY ;

a greater amount of capital is required for it, capital is more easily attainable by the other classes : and *vice versa*, when the employment of any considerable class is sensibly diminished, and, of course, the amount of capital wanted by that class is decreased also, the other classes, instead of experiencing a greater abundance of disposable capital flowing towards them, find it grow even more scanty in their lines. The former circumstances as necessarily stimulate the circulatory powers, as the latter paralyze them.

“ Those unproductive hands who should be maintained by a part only of the spare revenue of the people, may consume so great a share of their whole revenue, and thereby oblige so great a number to encroach upon their capitals, upon the funds destined for the maintenance of productive labour, that all the frugality and good conduct of individuals may not be able to compensate the waste and degradation of produce occasioned by this violent and forced encroachment.” The whole of this is mere fanciful theory : neither founded on the real laws of circulation, nor agreeable to their actual results. *Unproductive hands maintained by the spare revenue of the people*, is the history of something occult, something unknown to nature. There are no hands or classes maintained by others out of some self-derived fund of theirs, more

than these are by them. What revenue or income those whom he loosely and vaguely calls *the people*, possess, is nothing originally their own. All is derived from the same common fund, from whence the revenue or income of those whom he calls unproductive, is drawn. This is, from charging on one another. What these circulators, so unstatistically styled by him the people, pay to others, is not out of any spare revenue derived from themselves alone, but out of the revenue derived from others; or out of that additional charge which they make for it on the articles in which they respectively deal. The capital of all, as we have seen, so far from being consumed or diminished by this increased expenditure and employment, is more than proportionately augmented.

The frugality and good conduct of individuals do not affect the question at issue, for they operate the same way with respect to all circulators, and whatever be the answer to the question. The produce of the various circulators, instead of being wasted and degraded, is all round the circle, enlarged and rendered more valuable by the increase of custom, derived from the additional circulators.

Dr. Smith has thus so completely misconceived the real movements of circulation, that they are quite the contrary to what he supposes them to be. In confirmation of this, the results in

nature are found to be just the reverse of those which would spring from his. These additional circulators, instead of taking from a heap, as he imagines, by creating additional employment, and enlarging the mass of circulant, on which all the rest have to charge, really add to it.

The income of the various classes in Britain proscribed by M. Quesnai as unproductive, we have already conjectured to be 210 millions, and of those proscribed by Dr. Smith, 126 millions. In what respect are those 210 millions drawn from the 90 of the former theorist, or these 126 from the 174 of the latter, more than the 90 are from the 210, or the 174 from the 126? These 126 millions are as substantial a part of the national income, and as really additional to its amount, as any portion of the rest.

The proscribed classes have added at least one third to the quantity of national employment; for, without these species of circulant, the British community would have shared only two thirds of its present employment. By this additional employment they have created a real addition to its income of 126 millions. Indeed, had these species of circulant not existed, the probability is, that, from the smaller amount of stimulus, our national income would by no means have reached 174 millions.

The slightest real difference cannot be traced between these 126 millions, and the other 174,

either in their origin, or in the influence of others in their expenditure. They are alike drawn by means of charging, and they are alike partly invested in capital, and partly used as the means of living, and thus alike stimulate the circulatory powers.

Some of the partisans of the unproductive theory have quoted in particular the classes employed in service, in physic, and the law, as examples of the unproductive kind; but, in general, they seem to have fixed on the classes of musicians and soldiers, as the strongest examples.

If there be a class which is unproductive, that of the musician, indeed, has as much the appearance of being so as any. His circulatory is entirely a luxury. That music has a solidly useful influence on mankind, cannot admit a doubt. Perhaps no other is the source of so much pleasure, without any mixture of pain. It soothes the sorrows of the distressed, and it adds to the joys of the happy. By its softening power over the mind, it has even a strong moral influence. It tends to humanize mankind, and to improve their tempers and manners, by rendering them more cheerful, benevolent, and mild. This, indeed, does not affect the question under consideration, which is, does it tend to add to the income or wealth of the state? The answer to this is, it does, really and largely. It has all the qualities of productive circulatory, as

perfectly as either the cultivation of land, or manufacturing of cloth. The numerous individuals whom it renders circulators, not only have the means of acquiring income and of accumulating capital by it, but the acquisition of this income or accumulation of this capital, so far from *being injurious to other classes in these points, tends to assist them in the same pursuit, by affording them increased means of enlarging both*.*.

The amount of income annually acquired, and of capital annually accumulated by the teachers of it, the makers of musical instruments, the printers and sellers of songs, and other musical works, and the instrumental and vocal performers, is very considerable. If there were a necessity for going into particulars, most striking examples of its productiveness could be mentioned. An eminent musical instrument maker died a few years ago, who had long given complete employment to between two and three hundred persons, and accumulated a capital of above two hundred thousand pounds, by his business. Some sellers of music, and even composers, make large incomes. Teaching, particularly to play the piano-forte, which is a very extensive source of employment, is also very lucrative, and much capital has been accumulated from it. Some of the professors charge a guinea an hour, and are

very constantly employed, at least, during a certain season. And we all know what high salaries are given to eminent professional singers and performers. Some of these have realized a capital of a great many thousands. One or two we know to have accumulated above fifty thousand pounds. The musical class, according to Mr. Gray's scale of wealth*, is decidedly among the rich. Indeed, in proportion to its numbers it is one of the richer; and the employment created by music makes a very considerable addition to the national income.

This income, indeed, like that of the farmer and manufacturer, and the rest, is derived from others, by charging upon them: but then, on the other hand, these reimburse themselves by charging for it in their prices. And what becomes of this income? Is it lost to the public more than that of the farmer or manufacturer? Is it not spent in purchasing the various articles of good living, or else invested as capital to produce profit? And does it not in both ways give employment to the various other classes, like that of the farmer or manufacturer? The musical class, therefore, far from robbing other classes of part of their income, afford them additional employment, and, of course, increased means of obtaining income. For they

* Hap. of States, Book II. ch. x. p. 123.

are taken from the mass of population, to procure income from an additional species of employment. The circulators thus left, acquire a greater average quantum of employment of the old sorts. They have also added to this the employment in their own lines, afforded by the additional class of circulators, for these, instead of being sellers of the articles which the former deal in, as they would otherwise be, are entirely buyers of those articles. They are additional customers, and to a large amount, while they sell an article which does not interfere with those of the other classes*.

With respect to the class of soldiers, it has been already noticed, there are some little peculiarities, as indeed there are with respect to every other class; but as circulators, they affect those that pay them, and those from whom they buy, in precisely the same manner, as all the rest. Their number is voted by authority; but the arbitrariness or voluntariness in fixing the number, depends less on mere will, in reality, than it seems to do. Their pay or income is procured for them by government, through the medium of taxes either of the direct or indirect sort. This difference in the mode, however, produces no ultimate difference in the result; for the amount charged upon the various circu-

* Hap. of States, Book II. ch. ii. p. 30, and ch. iv. p. 77.

lators by means of taxes, as in the case of all other charges, is counter-charged for in the price of the articles in which the circulators deal*.

Let us suppose, that the income and the various charges for the usual equipment of a British army, say of 100,000 men†, consisting of all the usual ranks and classes, amount to six millions a year, or about 60% individually. This is probably not very different from the amount of the income of 100,000 cultivators of the various ranks, or of 100,000 manufacturers of certain classes, whose rates of charging are of the lower kind. We shall, however, assume, for the sake of illustration, that they are equal. It is not meant here to compare these classes as to the influence of their respective circumstances on health, on virtue, and on population; nor yet to take into consideration that an army is of a more temporary cast than either of the other two. They also are subject to occasional stag-nations; but the amount of an army is necessarily much diminished by peace. This, of

* Hap. of States, Book II. ch. xi. p. 135.

† There is no intention to mix party views here with the question. These ought never to make any part of statistics. The demand should regulate the amount of this class as of all other classes, whether that be great or small for the period, and ample funds may be created for paying them. But a case is put merely in a statistical point of view, to try the question as to productiveness.

course, like a long-continued stagnation in corn, or a failure of the demand in certain lines of manufacture, throws a portion of hands out of employment. These considerations are connected with the question, how far the various classes are more or less productive. But they do not affect the grand question at present under discussion, are they all really productive?

Now, in what respect is the income of the 100,000 cultivators, or of the 100,000 manufacturers created by them, or how does it operate on the general circulation, differently from that of the 100,000 soldiers? The two former bodies draw their income from the public directly, or by agents, and the third draws its income from the public, by the intervention of government through the medium of taxes. And they all three alike return 6 millions annually among the various circulators, or create that amount of employment, by expending the whole of this amount of income on the necessities, comforts, or luxuries of life, or else by investing part of it as capital. Both draw the same sum from the public, and both return the same sum to the public. Where is the shadow of a difference? Do not the circulators, from whom their income is drawn, feel a similar deficiency from buying their respective articles, and do they not charge for this to reimburse themselves? And is not the means of income afforded, there

by the expenditure of 6 millions sterling of the soldiers, as great and real as by an expenditure of like amount of the cultivators and manufacturers?

On the other hand, let us suppose, that the income of these 100,000 soldiers was at once annihilated, what would be the result? The taxes from which their income was drawn, being taken off, that part of the price of the articles of each class which was charged to reimburse them for these taxes, would be withdrawn by means of the competition to sell low. They would, therefore, with respect to the rate of price, be no better off than they were before. If they paid less, they charged less. But, while they were no better off with respect to the rate of price, the mass of employment, on which they used to charge, was diminished to the amount of 6 millions. They had lost, on the supposition, 100,000 customers, and the whole amount of employment created by their income. And yet further, while their amount of employment was thus so considerably diminished, there were 100,000 cultivators turned out of the additional employment afforded by military service, to share the diminished employment of the other lines, and thus lessen the average quantum still farther. In what does this impoverishing effect differ from what would be produced, were some stagnation, or other circumstance, to turn 100,000 cultivators or manufacturers, whose

incomes amounted to 6 millions, out of employment? Britain has for some time felt, and is, at this present moment, feeling severely, that this result is not a theoretical fancy, but solid fact.

The lower ranks, though probably few of them will admit the theory, are well aware of its practical reality. Those towns, particularly if small, from which a body of soldiers usually stationed there, has been withdrawn; uniformly complain of the decrease of business they sustain by their removal. This is a never-failing topic indeed, with all classes. And those who have no troops stationed in them, consider those who have, as possessing an advantage which tends greatly to enrich them.

Dr. Smith gives a general statement of what would have been the effect of the usual peaceful employments in this country, without those of war—"So that the whole cannot be computed at less than 200,000,000*l*. So great a share of the annual produce of the land and labour of the country, has, since the Revolution, been employed upon different occasions, in maintaining an extraordinary number of unproductive hands. But had not those wars given this particular direction to so large a capital, the greater part of it would naturally have been employed in maintaining productive hands, whose labour would have replaced, with a profit, the whole value of their consumption. The value of the

annual produce of the land and labour of the country would have been considerably increased by it every year, and every year's increase would have augmented still more that of the following year. More houses would have been built, more lands would have been improved, and those which had been improved before, would have been better cultivated, more manufactures would have been established, and those which had been established before, would have been extended: and to what height the real wealth and revenue of the country might by this time have been raised, it is not perhaps very easy even to imagine*."

I am by no means inclined to throw cold water on this honest warmth for peace. Nor does the superiority of peace, as the choice of a wise state, depend on its producing more or less wealth to the nation. With many, both theorists and practitioners, who seem to consider wealth every thing, this result may have a predominant influence in determining them to pursue or to avoid so unphilanthropical a measure. But with those who make genuine solid happiness the grand criterion of measures, greater wealth resulting from war, not forced upon us by necessity, or not made in defence of the independence and real rights of our country, goes for nothing.

* Wealth of Nations, Book II. ch. 3.

It has as little weight to prompt, as greater poverty.

It is certainly true, that some wars are more productive of wealth to a nation than peace. We have a striking example of this in the late war of Great Britain with France under its ephemeral dynasties. During that war, from the foreign trade of the former, instead of being, as usual, diminished, receiving a great increase, and from there being an immense mass of additional employment created by military enterprises, perhaps more extensive than any in history, she acquired a larger amount of wealth than she ever did before in the same time, or probably could have obtained from any state of peace. The return of peace, on the other hand, by annihilating a great proportion of that employment, has suddenly reduced her to a state of comparative poverty for the time. What then? Was the war to be continued, because it was more profitable? Execrated be the very mention of such an object, as at all worthy to be taken into consideration. In the name of justice, of humanity, of benevolence, is a measure, which scatters misery in proportion as it is effective, to be adopted because it creates employment? Is one part of mankind to suffer every species of distress, that another may procure a better income? Are we to purchase comforts and luxuries at the expence of plundering or burning the

houses of our unfortunate enemies, of maiming or destroying thousands, and spreading terror and incalculable misery over whole districts?

I have no particular wish to revise these observations of Dr. Smith; or certainly not with a view to differ from him in the opinion respecting peace. Nations may occasionally grow richer by war, but peace will afford them employment, and income sufficient, and certainly much more than most wars of the destructive kind. He has not, however, stated the case correctly; nor has he given the real reason why peace would have been more profitable, than we know war has been, supposing that to be the result.

In favour of peace, there is almost uniformly operating a greater increase of population. This arises from the men of the healthy and marrying age being no longer carried off, as in war, by fighting and severe service, and from the public tranquillity "putting the sexes more in the humour of coming together." There is no violent destruction of capital, and the modes in which it is employed, throughout whole districts, as in war. There is also, in peace, a more free intercourse between different nations, and consequently a greater amount of employment arising from these foreign connexions.

On the other hand, war creates additional employment peculiar to itself. This is sometimes very extensive. Some districts are free

from its ravages, and do not suffer much in their population from it, while the usual employment arising from peace continues the same, or may even reach a greater amount. To such districts it may prove more enriching. But probably, in general, the check given to population, and the injury done to the modes of peaceful industry in so many districts, will more than counterbalance the effect of the additional employment of its own kind which it introduces, and give it an impoverishing influence.

In the statement of Dr. Smith he has left out the additional employment created by war; nor has he attended to the effects of the increase of population. In this, as in some other cases, he, like many others, attends more to the supply than the demand, and seems to conceive that we have only to change the article supplied, and the demand will follow of course. This is, however, by no means the mode of nature. She alters the demand, and the supply follows; or she first creates an increased demand, and the supply rises to it. If, again, the supply be increased beyond the demand, the latter will not rise to it, but will sink to the former. And unless we comply with her mode, we shall soon find we must stop or be ruined. We may change or increase the supply as we please; unless a change or increase in the demand has taken place, we shall waste our capital, labour

and skill, on what will bring us no return. If the quantity of the old articles in Britain, in the supposed case, was equal to the demand, it would have been doing very little to increase the supply. What would have been the use of building more houses, cultivating more lands, or establishing more manufactures, unless there was an additional demand? And how was this to arise?

In Dr. Smith's time, the effects of the increase of population had not been analyzed, nor does he seem to be aware, that *it is the great, indeed the sole original cause of the permanent increase of wealth**. That main-wheel of the progressive movements of circulation effects this increase, by means of giving rise to additional wants, and consequently, multiplying employments among men†. The more varied the employments, again the greater the demand for articles produced by all, even the older sorts.

It by no means, therefore, seems to be certain, that Great Britain would have been richer, if she had not been engaged in war since the Revolution. Her wars, on the one hand, have created an immense amount of additional employment, and consequently of income and capital arising from it: and on the other, since that time, with the exception of the two slight

* Hap. of States, Book II. ch. x. p. 125.

† Id. Book II. ch. ii. p. 29, 31.

insurrections of the adherents of the Stuarts, they have not been carried on in her own territory. They have, therefore, produced little or no derangement of the modes of home employment. They have, however, occasionally diminished her foreign commerce, and though they have not been particularly destructive of her population, they have certainly tended to retard its progress.

Be the answer to the question, however, as it may, and though it should be the fact, that Great Britain would have been, on the whole, richer without wars, it does not affect the real productiveness of her war-classes as to wealth. Even that result would not prove, that these classes do not create additional wealth to the country. It would only show, that they would have produced more, had they been as fully engaged in the employments of peace. This is a very different question: it concerns not the *reality* but the *quantum* of productiveness. There can be no doubt, but that, could all classes charge as high as lawyers or musicians, the nation would be much more wealthy than at present. But how does it follow from this, that the other classes are totally unproductive, because they are not so productive as the legal or musical?

What has been found true of the musical and military classes, is true also of the other

classes excepted by Dr. Smith, the legal, medical, teaching, clerical *, and the rest. By the arrangements of nature, they all necessarily add to the wealth of a nation. Their charges are not only met by counter-charges from the other classes, which fully reimburse them ; but they afford additional employment or increased means of counter-charging to these classes, equal to the amount of their income. According, therefore, to the strict laws of nature, which regulate circulation, the soldier, and the musician, are necessarily as really productive circulators, in point of wealth, as the ploughman or the weaver. And so are also the physician, the lawyer, the clergyman, the teacher, the writer, the painter, the player, the banker, and every other species of circulator. *It is utterly impossible, on the present system of nature, that any class, which continues to be employed and to produce income, can be unproductive.*

Some talk of the stimulus afforded by the income of the classes proscribed by the imaginations of Quesnai and Smith, as being delusory or fictitious : but on what ground ? It seems mere prejudice. The salutary effect on circula-

* Whether the income of the members of this class be drawn from tithes, like that of the established clergy of England, or from the money contributions of congregations, like that of dissenting ministers, it is equally additional, or productive to its amount.

tion produced by their incomes and expenditure, is as real and solid, as that derived from the incomes of cultivators and manufacturers. Does the baker, the butcher, the shoemaker, the tailor, the weaver, find the money received from the pensioner, the surgeon, the clergyman, the musician, the statesman, less valuable, or less capable of procuring the articles they want, than that derived from the farmer or manufacturer? Will not the same amount of it procure the same quantity of them? Is the dinner which circulators obtain by selling to the farmer, less satisfying, or the clothing less comfortable, than that procured from selling to the landholder or muslin manufacturer? Or is the capital accumulated from the employment afforded by them less effective or profitable? or the capital borrowed from them found more shadowy and unsubstantial?

The capital invested in those species of employment, which, according to Quesnai's and Smith's theories, are unproductive, is the most productive of all. The amount of the capital required is much smaller, while the rate of profitable return is much greater. The capital of these classes, indeed, consists chiefly of the expences of education and practical study. Money, so laid out, is evidently capital; for it is wealth invested in a certain speculation or mode of employment, to produce a profitable return. And this return is

far beyond what is obtained from capital invested in land, houses, or manufactures. The per centage of the former is perhaps, on the average, a hundred times the rate of that of the latter. The surgeon, physician, teacher, clergyman, musician, soldier, &c. in general have a return of three, four, and five hundred per cent. and often much higher. Indeed, not a few of them reach an annual return, larger than the whole amount of capital invested in their studies and professional equipments.

And while the invested capital of these classes is by far the most lucrative to themselves, the capital accumulated by them is the most advantageous to others. The capital acquired by the farmer, the manufacturer, and builder, is less disposable; for a considerable portion of it is required to prosecute farther speculations and improvements in their own lines. But that of the lawyer, physician, clergyman, teacher, and the rest, is almost entirely disposable, and is lent to the other classes who are, from the nature of their employments, in want of it. This is the principal reason why capital is uniformly found to be so abundant, when there is any great addition to the employment, and, of course, income of these less necessary classes. Their returns are more certain and profitable for the time: the temper prevalent among them is rather that of accumulating; and when capital is accumulated by

them, as they can employ very little more in their own lines, it is lent to those classes that require it. Their capital thus is as advantageous to the other classes, as it is profitable to themselves. And their employments, instead of being unproductive to the nation in point of capital, as Quesnai and Smith imagine, is the most productive of all, and possesses the greatest stimulating influence on circulation throughout the whole mass of circulators.

On Mr. Gray's theory the total price of things, or the entire income of a nation, is considered as productive. While Quesnai's and Smith's theories set more or less of the income of the nation against the rest as injurious, for no solid reason, his includes the whole as reciprocally beneficial. According to him, for example, the whole of the three hundred millions, which are supposed to constitute the present average income of Great Britain, is productive: that is, all alike procures the various circulators what they want: and the amount of their respective shares creates employment, which would otherwise not exist, stimulates in the same manner the circulatory powers, and tends throughout to enlarge the amount of each portion and the whole. This entirely agrees with the invariable results in nature.

Every species of circulant, according to this theory, is so much added to the general stock,

tends to employ the circulators more fully, and at the same time, by raising the price of things, to stimulate the circulatory movements more strongly, and thus adds universally to the wealth of all the various classes. This is also strictly according to nature.

The unproductive theories fix on certain qualities in things, apparently more or less distinct, as productive, but which are alike inadequate to effect the supposed purpose. The lines of distinction, which they draw, are not merely doubtful and unsatisfactory, but the sources of this distinction have no such peculiar effect as is attributed to them. Indeed, those lines have no real existence in nature. They are utterly unwarranted and imaginary. But the source of wealth, on the productive theory, is clear, distinct, and real. It is found every where, and in every case of circulation, in actual operation. This is *chargeability*. *Without this quality, in real life, nothing does produce income, capital, wealth: and, with it, every thing does, or may produce all three.*

Our unproductive theorists talk of certain classes having a productive *revenue* and *spare revenue*, as if all others did not produce these. Why did they not ask themselves the necessary question: *Whence is this revenue derived? Is it from themselves or from others, or from both?* They would then have found, that all their spe-

ulation arose from viewing only one portion of the subject.

These theories leave the inquiring statistician in a state of darkness and doubt, as to the grand essential point, how circulators are paid, how they procure their various incomes, or whence these are drawn ultimately, so as not to diminish, and in time consume the fund from which they are drawn. Let the inquirer only put these necessary questions: *By whom is any circulator, or class of circulators, paid? And how are the payers enabled to pay him or them?* And he will find the productive theory close round him with irresistible force. There is no possibility of escape. He must necessarily have recourse to the basis of that theory, *counter-charge for charge*, which places all circulators in a like state of dependence upon one other. And thus reason and actual results, equally prove the productive theory to be the real theory of nature.

BOOK II.

TOPICS CONNECTED WITH THE QUESTION RESPECT-
ING THE PRODUCTIVENESS OF CIRCULATORS IN
POINT OF WEALTH.

CHAP. I.

Fixed Annuitants.

ANNUITANTS with fixed incomes claim a particular notice, from the intimate connexion of their case with the question of productiveness.

The number of those whose incomes are occasionally, or for a time fixed, is very great, and the amount of their species of income very considerable. Such are those circulators, whose wages or salaries are fixed for the week, the month, the year, or whose income depends on a contract for a certain period. The latter division includes, among others, those rich classes that let their lands or houses on lease, for a longer or shorter term of years at a fixed price.

These circulators, though their income be fixed for a certain time, are not regular fixed annuitants. During the term of the contract indeed, the rise or fall in prices does affect

them as fixed annuitants. They suffer from a rise, and they are benefited by a fall. But still they are not ultimately excluded from the common fund. At the end of their agreements their new terms will depend on the average rate of prices, whether that be higher or lower than at the time of making the prior contract. During the current period of such contracts, if it be only for four or five years, it is probable that their loss by occasional rises, and their gain by occasional falls, may not be very far from balancing each other. But should population keep increasing, they will be losers by the regular rise in the average prices that results from the additional employment, income, and wealth, which that increase necessarily creates*. If, therefore, the term of the contract extends to fifteen or twenty years, as in the case of lands let on lease in districts where the science of agriculture is well understood, the landowner will lose considerably ere the contract expires. He will then, however, like other circulators, profit by the average rise, by charging in return at a higher rate.

With respect to such contracts I think it worth consideration, whether a portion, at least, of the rent should not depend on the average money-price of corn and cattle each year†.

* Hap. of States, Book II.

† Id. Book II, ch. viii, p. 532.

This, it is true, is subject to inconveniencies, and certainly might give rise to squabblings between the landowner and the tenant, which it would be better for both to avoid.

In forming a contract of this sort, it should be admitted as a fair maxim, that if population be increasing, and likely to increase, or even if it does not decrease, the longer the lease, the higher should be the rate of price. For the average general prices continue to rise in such a case; and, consequently, the longer the lease the greater will be the rise. In the course of a twenty-one years lease, this rise, on an average, will be considerable. The landholder is entitled to part of it, and the farmer should be willing to grant the claim as a fair one. I should recommend to the landowner, in order to profit fairly by this result of the increase of population, to let his farms at different times. For example, if his usual term of lease be twenty years, and he has ten farms, he should let them for such different periods, that, at length, one would fall in every two years. For this farm he would, of course, get the current price of the year in which it was let.

But all these circulators depend more or less on the state of the common fund in point of income. It is the class of regular fixed annuitants; or those whose incomes are permanently fixed, that cannot have recourse to this fund.

Such are women who have jointures and remain widows for life, those circulators who have given up the whole of their property to secure during their life a fixed annual sum, pensioners who depend entirely on their pension which is never raised, and those who having retired from all chargeable employment, invest the capital they have accumulated in the public funds, or in mortgage, and never draw it out or change it, with other circulators of this description.

The number of these regular fixed annuitants is not very great; nor is the amount of their income very considerable. In Great Britain it will reach only a very few millions. These annuitants are incapacitated for having recourse to the common fund for any thing beyond the amount fixed, however much the demands of others increase on them. Should prices fall indeed, they are benefited; for while they buy at a cheaper, they sell at the old rate. But from selling at this fixed rate, when prices rise, they pay the difference out of their private fund, and not out of the common fund like other circulators.

In constituting themselves fixed annuitants, if they have a choice in the case, they ought to consider that, by this act, they preclude themselves from the advantages in point of income that spring from the increase of population. And farther, as a rise in prices and an augment-

ation of general wealth, are the necessary results of that increase, they subject themselves inevitably to greater or less poverty, ere the close of life, if that be of any continuance. These advantages to the nation prove injuries to them. What tends to make other circulators richer, tends to make them poorer. They are no longer regular circulators, except as buyers. They are thus placed out of the protection of the laws of circulation. They can no longer meet additional charge by charge.

Exceptions confirm a rule. The case of these circulators with fixed incomes demonstrates the reality of the productive theory. They somewhat resemble the unproductive circulators of Smith. It is true, their income has no tendency to diminish the income of others, like the income of his unproductive circulators; but the increase of income of others tends to diminish theirs. What others gain by them, they lose. The nation's wealth, therefore, is not increased by such circulators. All rise in price, as far as they are concerned, is of the mere transfer sort.

Their income certainly gives employment still, but it does not yield the usual quantity, for it will not buy the usual quantity of articles. Let us suppose, for the sake of illustration, that at the commencement of the French Revolution war, the amount of the income of this class

in Great Britain was three millions, and that at the close of that war there was still left of it one million. This million would not at that time purchase even half the quantity of things which it would have done at the commencement; and, therefore, could not then create half the employment.

But is it any alteration in the form of their circulant, which has thus rendered their payments less productive? No. It is just what it was, obtained in the same way, and expended in the same way. But a positive act having deprived it of all additional chargeability, it is, by means of the increase of the price of other circulants, which retains that natural quality, rendered of diminished value to themselves, and unproductive of additional wealth to the country.

CHAP. II.

Price.

PRICE forms one of the most important branches in statistics. It is from not thoroughly analysing the component parts of it, or the various charges or items which constitute it, that we have had so many crude notions, inconsistent with themselves, and utterly unwarranted by facts, sported by men of eminent abilities, and received too implicitly by the people at large.

A minute analysis of it having been laid before the public in the *Happiness of States* *, and a detailed statement of the effects of average high and low prices in the *Farmer's Magazine* †, I refer my reader to those works; and only mean to make some remarks on price, as intimately connected with the question respecting the various classes of circulators.

The price of an article is the amount of the sums charged on it by each person, through whose hands it passes, for food, clothes, housing, services, the expences of government, instruction, amusement and physic, the interest on capital, when that is employed, and profit ‡. It follows clearly from this, that all classes must be alike really productive; for the charges of all classes are alike really taken into the price of things: the soldier's and the musician's, as well as the farmer's and the manufacturer's, and the physician's, the lawyer's, the teacher's, as the landholder's.

According to the productive theory, with an increasing population, there must be a perpetual tendency in price to rise: for the charges of circulators will, in that state of population, become gradually larger as well as more various. Their result, which is price, must, of course, in-

* Book II. ch. xi.

† For May and August 1816. See Appendix,

‡ Axiom VIII. p. 10.

crease. This is uniformly found to be the fact in real life.

The tendency in price to rise has puzzled many. Some have styled it *mysterious*. It has been considered rather as an occasional than a constant result. Various causes have been assigned for it; taxes, the state of the currency, and of the exchange, speculation, deficiencies in the supply, &c. We have occasional rises and occasional falls, but there is, on the average, a constant tendency to rise. Some of the causes stated have an influence, temporary or lasting; but the grand incessantly operating cause has scarcely been noticed. *This is the more expensive style of living, gradually introduced by the natural desire to obtain more comforts, which inspires all circulators.*

The thinner the population, the fewer its artificial wants, as well as its means of obtaining them. Fewer items of charge, therefore, enter into the price of a district or country in such a state of population. But as the latter increases, it generates new wants, and introduces new articles of comfort or luxury, as well as enlarges the means of procuring them*. And surely, if circulators use a larger quantity of articles, or a greater variety of them than before, they must charge higher than before. How

* Hap. of States, Book II. ch. ii. p. 29.

otherwise are these additional items to be paid for? The average price of things thus necessarily keeps rising with the increase of population, and its concomitant, wealth, from its thinnest and most frugal state, up to its most crowded and luxurious.

In a country like British America, peopled from populous and wealthy nations, prices will be high from the beginning; for they use the comforts and luxuries of a crowded population; and, therefore, they must charge for these expensive superfluities.

Occasionally a shortness in supply, and speculation, raise the price of articles: on the other hand, this result is occasionally counterbalanced by too great an abundance, and the consequent stagnation. Other circumstances, such as the additional employment which war or peace creates, or a failure of employment caused by a change from one of these states to the other, tend to raise or depress. But the grand original source of the average rise in price, springs, as has been stated, from the universal wish of circulators to live better, or to procure as much wealth as they can. The increase of population enables circulators to obtain more and more their wish. The result is a more expensive style of living among all classes, and, of course, a higher price.

All this is alike true on the productive theory, and in real life.

The income of Great Britain, and her prices, like those of all other countries, for the reasons just stated, with occasional retrogressions from the diminution of population and other circumstances, have been gradually increasing, on the average, from her earliest peopling. At the close of the late war in 1815, her income had probably reached 300 millions. According to Mr. Gray's conjectural table*, the proportions of the charge of the various British classes were as follows:

The classes supplying subsistence,	30 per cent.	£90,000,000
The classes deriving their income through government by means of taxes.....	25 ditto †.	75,000,000
The classes supplying clothing and the like.....	14 ditto.	42,000,000
The classes supplying housing and furniture	14 ditto.	42,000,000
The classes employed in teaching (including the clergy), in law, in physic, in writing, painting, engraving, and the like, and in service	17 ditto.	51,000,000
		<hr/> £ 300,000,000 <hr/>

* Rep. of States, Book II. ch. xi. p. 133.

† This has now (1817) fallen considerably; but, from the diminution of employment arising out of the circumstances which caused the fall, the difference will be greater in the amount than in the per centage itself.

It is almost unnecessary to repeat, it is evident from this, that the incomes of the clothier, the builder, the soldier, the physician, the lawyer, the musician, the painter, &c. are in no other manner drawn from the cultivator, than the income of the latter is from those of the others. The income of the cultivator includes the charges of the other classes upon it, and is 70 per cent. or 68 millions more than it would be, did this class not counter-charge that additional amount to reimburse itself. The incomes of the medical man, the lawyer, clergyman, musician, &c. again, include, in the same manner, 30 per cent. each on the average to reimburse themselves for the charge which the cultivator makes on them for subsistence. And thus round the whole circle. The charges of all the classes are additional, and each class makes an additional charge to meet these. The incomes of all the classes are derived in a perfectly similar manner, or from all the rest, and they are paid in a perfectly similar manner. They are all alike also expended in the same way: either in procuring the necessaries, comforts, and luxuries of life, or invested, as capital, to procure a larger income. Thus, in every point, they affect circulation alike, and are alike productive.

From the nature of price, there can be no fixed rate of it, unless from the arbitrary interference of authority. It depends on the style

of living, the rate of population and of wealth, and other varying circumstances. Itself, therefore, must ever be variable. There is, however, a fair natural rate of price of all articles, to which there is a general and constant tendency. *"This is the average rate of price of the articles, for the period, regulated as an average rate must be, by the style of living of the classes that deal in them, and corrected by competition, whether that rate, on a comparison of countries or periods, be found to be high or low *."*

Expences grow larger, as population grows thicker: the average charge on that account, therefore, must continue to increase. But it is not an augmentation in the profit per centage on articles, which render population richer, the more crowded it is. If we except complicated articles, and articles of mere fancy, the value of which it is difficult for the mass of circulators to ascertain, in general, there is rather a tendency in the profit per centage, both of the workman and the dealer, to decrease, as population becomes more crowded. This arises from the greater variety of competitors in the different lines, and their efforts to attract customers by selling low, on the one hand, and, on the other, from the better acquaintance with the qualities and prices of articles in a more populous district

* Farmer's Magazine, May 1816, p. 206. See Appendix.

or country. The greater income of all in such a district or country is derived from the workmen being capable of doing more work in the same time, and from the dealer selling a greater amount of articles. For example, in a thin period of population, a workman may charge at a higher rate of profit for what he does, but from having less to do, or being less adroit in doing it, which is the general fact, his income will be inferior to that of the workman of a more populous period. In the former, again, if the average quantity sold by a certain class of dealers be a thousand pounds, and in the latter two thousand, though their per centage may have fallen one or two per cent. yet their income will be larger. In a more populous state of society all are dealers, on an average, to a greater amount, or possess the means of charging on a larger mass of circulant.

On looking round the world at present, and back upon former periods of the same countries, we see that a higher rate of price is uniformly connected with a higher rate of wealth. This, indeed, must necessarily be the fact in statistics. And yet, on the subject of price, there is an inveterate prejudice among all ranks, that *the lower the rate, the better for the country, or the lower the price, the richer the people*. Such a notion seems strange, for nothing can be clearer in theory, or more completely demonstrated by

facts than the direct contrary. The notion, in truth, includes in it self-contradiction. It implies, that *the fewer the articles of good living the various classes use, on an average, the more of those articles they, on an average, possess.* For it is uncontestable, that the more of those articles the classes use, or are able to procure, the higher must they be able to charge to reimburse themselves. A peasant living in one of the highland hovels, surely will not be charged so much, by the landholder, as a peasant who lives in one of the tidy cottages, that now abound in our lowlands. The latter peasant, therefore, must and will charge more in his price for his house-rent. The same thing necessarily holds true with respect to all other classes and all other charges.

The source of this prejudice arises from the individual considering himself as a buyer, and not a seller, though he be both in one. Almost every circulator, indeed, admits unintentionally the productive theory, for who does not assert that his own prices are barely sufficient, and much more frequently too low? But then he imagines, that the prices of others are too high. He does not consider, that if he buys low, he must sell proportionally low; for how otherwise could his customers afford to pay him? And if he sell high, the others, in order to be able to pay him, must charge proportionally high.

It has been said, "it is extremely paradoxical to maintain, that we should all get richer, were we to pay twenty guineas for a coat, five pounds for a pair of shoes, and half a guinea for a quartern loaf." It is by these loose general observations, that an attempt is made to evade the real question, and get rid of the reasoning from actual causes and actual results. Of course, average prices must be here meant. Now, were the fair average rate of price to rise to such a height, that the money price of an article of such common use as a coat should be twenty guineas, instead of the present four, such a fact would necessarily infer a prodigious augmentation of population *and of wealth*. If such increased prices for necessary articles are currently given, there must be a corresponding increase in the ability of the buyers to pay. And in order to be able to afford such prices to the clothier, tailor, leather-dealer, shoemaker, farmer, and baker, the other classes must have it in their power to charge equally high. This average increase in the rate arises chiefly, indeed, speaking on an universal average, almost entirely, from the various classes using and charging for more articles; and, therefore, it is a proof, that they all live better and are more wealthy.

Similar houses rented by tradesmen, from ten to thirty pounds a year, in villages, or small towns in Wales, Westmoreland, and many of the

less populous districts in Scotland, would cost tradesmen, of the same comparative rank in London, from one to three hundred pounds. And yet the average amount of the employment and wealth of the chandlers in those low-priced districts, is still lower than their average price of rent. The rate of houses in London, some centuries ago, was as much below the present rate, as that of those in the cotemporary villages quoted. But was the average rate of wealth of London, in the former case, at all to be compared with that of the present period? Or is there not fully as great a difference in her average wealth, in the periods compared, as between her average rates and prices? And what is the cause of the difference?

It has been asked in the usual loose, inaccurate, and generalizing style, "Does Mr. Gray really hold it as a fundamental doctrine in political economy, that wealth is *created* by high prices?" That writer, according to his views of things, as explained in the Happiness of States, certainly holds that price is the medium by which men obtain income and wealth; and that, as it necessarily represents employment, the higher the average rate of price in a district or country, the more constantly must all its people be employed, their incomes must be larger, and their wealth, of course, increased. A higher rate of price, therefore, necessarily

creates, according to the cant of the economist, that is, in the intelligible language of the sound statistician, produces additional wealth. He has said in plain terms, "I know not how the wealth of a country can increase, except by a general permanent rise in the price of things *." But whether Mr. Gray really held that doctrine or not, or whatever economists may see in their imaginations, it will not be the less the real fact in nature. Not a result of hers but joins to prove it. Not a class of circulators, with the exception of fixed annuitants, but has in their turn felt it home; and the reverse of it was never more severely demonstrated than at present †.

Such is the great and vital influence of the rate of price, that it is sometimes sufficient to counteract the effects of abundance itself, and turn plenty into a source of general distress. Of this the year 1815 affords a most impressive proof and exemplification. That year was one of the most productive, both in corn and cattle, to be found in the annals of British agriculture. And what was the result? From a fall in the rate of price, the abundance nearly ruined the whole body of British farmers, and severely distressed every other class in the island, except that of fixed annuitants. In fact, it reduced

* Hap. of States, Book II. ch. xi. p. 146.

† 1816.

the nation to a temporary state of poverty, from which it has not yet recovered.

The poorer classes cry out loudest against a high rate of price, and yet they are the greatest sufferers from a low one. The following passage claims their attention. "The charges of the lower ranks of circulators form so large a portion of all price, that, in order to give them a decent amount of comforts, the average rate of price must reach a considerable height. The middle ranks, with an inferior rate of charging, may obtain the more common comforts or luxuries; but the highest rate of price, in the most crowded state of population, will procure the lower classes only the cheapest comforts. A low price keeps these hard-working classes grovelling in dirt, and in a state of penury, which is barely able to supply them with the merest necessaries *."

Facts cannot be utterly disregarded, even though opposed by prejudices. The advantages derived from a high and the distress inflicted by a low rate of price, with the great and rapid changes from the one state of price to the other, within the last twenty years, have at length begun to open the eyes of circulators. It has been felt so generally, that to reduce price is to reduce employment, and to raise the former is to

* Farmer's Magazine, May 1816, p. 208. See Appendix.

increase the latter, that there is a greater leaning towards the doctrines of the Happiness of States on this vital topic, than before. Many even of the lower classes, though not quite consistent in their ideas, now admit the truth of it. A porter to a tradesman lately said to me, to quote, as nearly as I recollect, his own words: "I don't like low prices, for my part, for there is ever such a slackness, when things are low. But when they are high, then there is always a bustle and something to do. And if we give more, we get more." Here we have the real fact and the real theory of nature.

In this essential point, as in all others, the productive theory completely coincides with nature, both in her causes and effects. To put the theory to the test of still further experience, let all who wish to form their opinions from facts, examine it by applying the following results, which arise from it, to the actual state of things in the district or country in which they reside, on any particular change. According to that theory, *an average low general rate of price, in a district or nation, is the index of poverty: as an average high general rate of price is an index of wealth. A falling general rate of price indicates the district or nation to be growing poorer; and a rising general rate of price, on the other hand, shows that the district or nation is growing richer.*

CHAP. III.

Money.

It is not my intention to enter on the important and extensive branch of statistical science, money or the exchanging circuland, farther than as it is intimately connected with the question under discussion.

Money is merely an artificial standard, settled by authority for measuring the value of other articles, and, from possessing an admitted value, a medium of exchanging readily these articles. It is perfectly indifferent what the material be of which it consists, so as it possesses these qualities.

But, according to the productive theory, it depends on its possessing the quality of chargeability, whether it is the source of income and wealth to the individual, and, of course, to the nation, or not. Thus metal money, when issued at the market price, or a fixed price agreeing with this, does not possess that quality. It is, therefore, a mere transfer sort of circuland, by which no circulator either loses or gains. The issuer and holder only get what they gave for it. When the market price happens to be higher than the legal, indeed, a profit may be made by

certain circulators. But then it is evident, that it must cease to be used as money, and become bullion before this profit can be obtained. If it be used as money, it will bring only the settled price. In the former case too, what is gained by the smelter or dealer in gold, is lost by the issuer, unless he is freed by law from the obligation to replace it. There is also a loss arising from the wear of metal money. This loss must fall either on the intermediate or last holders, or the issuer, if he receive it at the original value. However, even when there is no loss, it is with respect to the nation a mere transfer sort of circulating.

But paper money of the voluntary sort, or the sort *issued merely to supply the demand for the exchanging medium*, possesses the quality of profitable chargeability. It is, therefore, a source of income and wealth to the issuer, and, of course, to the nation. The issuer gains five per cent. more or less, while the passer loses nothing; for nobody pays for the use of it, as mere money, more than for gold. Every million of paper money adds about 50,000 pounds a year to the income of individuals and the community at large. And while metal money is subject to be totally lost, at sea, by fire and other accidents, the paper money of solvent issuers is uniformly a source of profit. Even when it happens to be destroyed by any kind of accident, it is no

loss to the nation ; for what the last holder loses, the issuer gains.

Losses indeed are sometimes sustained by the possessors of notes from the insolvency of issuers. These, however, are but partial, and seldom amount to any serious sum to holders not connected with the issue. Perhaps, the nation does not suffer more loss from these unfortunate events, than from the destruction of metal money by shipwreck and other accidents. I speak not of capital lent to issuing houses that prove insolvent. This is a different matter. The balance of profit derived, on the other hand, from the issues of solvent houses is, therefore, so much gain to the nation.

The amount of the value of notes in permanent circulation is an additional capital created by means of this species of money. And, from its very nature, it is a most active capital ; for as the more an issuer lends, the more interest he obtains, he is disposed to be as liberal in discounting to farmers, manufacturers, merchants, builders, and the rest, as prudence will permit. Being a capital additional to him to the whole amount, minus the expence of issuing, it enables him to lend more than he otherwise could do. To this species of capital many of our improvements in agriculture, manufactures, &c. owe their existence.

The amount of paper money in Great Britain

and Ireland was taken by Mr. Gray, in 1814, to be about 60 millions*. The use of this exchanging medium, therefore, creates an additional capital of 60 millions, and an income of 3 millions a year. And were the use of it to be entirely abandoned by them, we should annihilate a most active and stimulative capital to that amount, as well as the income derived from it. Every million of metal money in circulation robs the nation of active capital to that amount, and of an income of 50,000*l.* a year.

But, say some, all this is derived from mere credit. Granted. And how is the issuer, the user, or the nation the less rich for that? It possesses the quality of chargeability, and profitable chargeability to the issuer, as really and fully, as corn to the farmer, or cloth to the manufacturer. Does the butcher, the baker, the tailor, the musician, the lawyer, the physician find the custom of the issuer at all more unsubstantial, because his income is drawn from his credit? Or does the farmer, the manufacturer, the builder, the merchant, find the capital, which they obtain from the issuer, less useful, or proper, because his credit enables him to grant it?

Most people also are still haunted with the fears of an excessive issue, and of all the evils

* Hap. of States, Book III. ch. ii. p. 178.

which flow from it. This, however, if not strictly impossible, is at least impracticable, as has been shown in the Happiness of States by a minute analysis of the issue and return. Why then do those who maintain the excess of a voluntary paper money, not attempt to show by a counter analysis equally minute, that such an excess is both possible and practicable? Why do they not bring the matter to an issue by accepting Mr. Gray's challenge, and showing *how the united efforts of all the public and private bankers in Great Britain could force five millions, for which there was no real need, into permanent circulation, or even keep them out three months**? But they cannot do it. An excess of voluntary money, which is always returnable, and for which all must pay or lose about five per cent. seems to imply a self-contradiction. It is equivalent to affirming, that people are forced to take and keep more than they want, though they choose their own amount, and can return what they do not want when they please.

All these truths have been strikingly exemplified, since the restriction of the Bank payments to notes in 1797. The issue has risen and fallen according to the well-known states of the demand. The profits of the Banks of England, Scotland, and Ireland, and of all the

* Hap. of States, Book III. ch. iv. p. 215.

issuing houses, have increased, and thus augmented the income of the country, while its active capital also, with all the pleasing results, have increased to an extraordinary amount. Of late, on the other hand, we have seen the paralyzing and impoverishing effects produced from the circumstances of the year rendering a diminution of the issue, and, consequently, of the capital derived from it, necessary.

Perhaps, on few subjects has there been more sheer prejudice and fanciful nonsense in the shape of theory sported before the public, than on the practical one of money. Facts and daily experience are, however, gradually, though slowly undermining both. A considerable portion of the people is at length reaching more sober and correct views of it, as it actually is found in real life. Strong as is the force of prejudice, and great as is the influence of name, good sense, in a free country, cannot be trampled down for ever.

It may be noticed here, that the legislature has lately raised the mint price of silver about $6\frac{1}{2}$ per cent. or from *5s. 2d.* to *5s. 6d.* the ounce. The standard price of gold has consequently been reduced in the same degree, as the proportions between the two metals are left as before *. An ounce of mint gold contains still only 78

* 56 George III. cap. 68. s. 11.

shillings minus $1\frac{1}{2}d.$ though these shillings are reduced in weight from 62 to 66 in the pound. Instead, therefore, of being worth one pound weight of mint silver, and 26 shillings, as formerly, it is worth only 1 pound and 22 shillings, and these of a smaller weight.

This has been called making gold the standard, but why I do not quite comprehend. That metal has indeed been constituted the legal tender for sums above 40 shillings; but silver, though reduced $6\frac{1}{2}$ per cent. still remains the basis of moneyed value. The act leaves things, in this radical point, as they were found. The fineness, weight, and price of silver are fixed, while gold is measured, as before, by the number of shillings to which an ounce of it is equivalent. And the British public will still continue to calculate the money value of things by the silver standard, or the pound and the shilling.

The author of the Happiness of States had recommended a rise in the price of mint silver, and much higher than $6\frac{1}{2}$ per cent.* And though his proposition of issuing gold at the market price has not been adopted, he and all who coincide with him will probably gain their purpose more effectually by this new measure than by his own. For the mint price of gold being lowered by the new regulation $6\frac{1}{2}$ per

* Hap. of States, Book III. ch. xi. p. 287.

cent. it is rendered more liable to be turned into bullion, and taken out of the home market. This is what he wants. His object is to confine gold and silver money in the home market, as entirely as possible to change; for every thousand pounds of metal money in circulation deprives the nation of a thousand pounds of active capital and the profit arising from it.

CHAP. IV.

Taxes.

It is merely as taxes have a connexion with the question under discussion, that I mean to notice them at present.

These imposts are the medium by which government, as the agent of the public, charge the people for the services performed for them, by soldiers, sailors, diplomatists, and others. Forming in many cases a separate charge, they are looked upon by the multitude, as something of a different kind from other charges, and of an odious character: something that is taken from them, not voluntarily given, and for which they receive nothing tangible or visible in return. They do in fact, however, receive in return something most truly valuable, which is pro-

tection from foreign enemies and from lawless, dishonest, and ferocious men at home. But this article is not tangible, or visible, like the bread purchased from the baker, or the clothes from the tailor. What then? Is it not as substantial a good? And does it not tend as really to their happiness?

This public charge, then, being made upon circulators for something valuable given in return, as in the case of other charges, is there any thing in the mode of payment which renders it essentially different, and in its nature impoverishing? With but few exceptions, circulators are constantly affirming that they pay this charge out of their pocket in a peculiar manner. But how is this the fact? If paid directly, it forms a palpable part of expences, and is charged for as such: and if charged on the price of an article, as of salt, tea, sugar, beer, wine, soap, candles, leather, printed cottons, &c. the buyers charge in return for this portion of price, on what they deal in as fully and really as for the other items in the price of things*.

Were our taxes entirely withdrawn, that part of the British price of things, which represents them, would be withdrawn also. Indeed, the fact would be, that, from the paralysing effect of such a measure, the rate of prices of all cir-

* Hap. of States, Book II. ch. xi. p. 135.

culators would fall still more than according to that proportion. Fixed annuitants alone would be benefited by such an event. But, even in their case, it would be merely a transfer in point of wealth, with respect to the nation. What they gained, the government classes lost. No additional employment, therefore, was produced. And all the other classes would be losers by it, from the annihilation of the employment created by the taxes, and the nation through them.

We find the price of things uniformly rising with the increase of taxes, to meet the charge. And if circulators make a charge in the price of what they charge, equal to the amount charged upon them by government, as the agent of the nation, how do they lose by these charges, or pay them out of their private profits more than any other portion of the price of the article for which they charge? Government at present, suppose, charges 60 millions a year for paying the interest of the national debt, and other branches of the public expenditure. On the other hand, the various classes of circulators, landholders, farmers, manufacturers, builders, teachers, clergymen, medical men, lawyers, musicians, painters, players, &c. charge on what they respectively sell at least 60 millions a year more to meet this, than they either would, or could otherwise do.

This is as evidently true in fact, as it is

strictly demonstrable in theory. Yet how few believe a truth so clear? so strong is the force of prejudice. Even the sagacious Hume labours here under the same delusion with the lowest of the rabble *. This is evident enough from his *Essays on Taxes and Public Credit*. He seems to imagine, that the landholder and others pay taxes without having the power fully to raise their prices in proportion to the amount paid for these, and that they were forced to have recourse to other means to save themselves. How could he avoid seeing that the landholders, and other circulators around them, were paying *their respective proportions* of all the taxes, and yet living better, clothing better, lodging better, having more money to spend on the other branches of expenditure, than their ancestors?

He puts a case certainly not impossible, but not very probable, and to which, in spite of all the velocity with which the nation was moving towards it, in his time, as he affirms, we have scarcely got one step nearer in ours. "Suppose," says he, "the public once fairly brought to that condition, to which it is hastening with such amazing rapidity: suppose the land to be taxed eighteen or nineteen shillings in the pound; for it can never bear the whole twenty." Cer-

* Hume's *Essays*, Part II. Essay IX. On Public Credit. Nor is Smith free from it. See *Wealth of Nations*, Book V. ch. iii. p. 416. 8vo. ed. and elsewhere.

tainly not the whole ; and had a writer so acute ever minutely analysed the price of things, and ascertained the items which compose it, he would have instantly perceived, that the untaxed proportion of the pound, however small, must have represented the style of living, &c. of the landholder ; and that let the legislature charge what per centage it pleased on land, the landholder must and would raise his rent, as well as the farmer his corn and cattle, and the consumers of corn and cattle their articles to meet it. The price of rent, and bread, and meat, must have been enormously high in the supposed case ; but still the various circulators must and would reimburse themselves. And the new additional per centage would raise a much larger sum than the proportionate amount of the old.

The notion with respect to taxes, that they are necessarily injurious to individual circulators and to the nation, arises from *not connecting them with the employment which they create*. Were the money drawn by means of them carried out of the kingdom, and spent in giving employment to other countries, the effect, attributed to them so generally, would be realized more or less in the taxed country ; but the case is entirely altered, when the money raised is spent among the people that pays them. Whether they are used to supply the income of the government classes, or the equipments necessary for

public enterprises, or else the interest of the stockholders, they represent employment; for they necessarily create employment, directly or indirectly, to their full amount. It is, in familiar terms, but one hand paying the other, it is true; but this is the fact of the whole of circulation. Like every other item of price, they produce additional income to certain classes, and of course, either as expenditure or capital invested, they are an additional source of income and employment to all the other classes of circulators. The British taxes at present create additional employment to the nation to the amount of about 60 millions.

It is evident from the nature of price, that *lay a tax on whatever class or commodity the legislature chooses, it ultimately affects all* *. This is a most important fact, though it has hitherto been either overlooked, or the contrary admitted. A tax may continue to be paid directly by one class, or on one species of commodity, but being necessarily at length taken into the general price of things, it is paid by all classes, and charged for on all commodities. Even those who pay direct taxes, pay then only as the manufacturer does the duties on the goods which he fabricates. He and they alike reimburse themselves by charging for it in their prices.

It is, therefore, not at all material, in this

* Axiom XL. p. 11; and Hap. of States, Book II. ch. xi. p. 140.

point of view, who or what pays a tax directly or nominally. It is ultimately paid by all classes on all articles, and at the same time charged for by all to reimburse themselves. Fixed annuitants are, as usual, excepted here. With this exception, when fully taken into the price of things, a tax is nominally paid by all, and in reality by no one.

CHAP. V.

The National Debt.

It is only in reference to the question of the productiveness of all classes as to wealth, that I mean at present to consider this subject.

The term *debt*, which is applied to this national fund, has misled most people. They look on it in the same point of view with respect to a nation, as upon the debt of a private individual paying interest with respect to that individual; or as the result and proof of distress, and a source of increasing poverty. Nothing can be more different from this than the national fund, which we call the national debt. It takes its origin from additional employment, and, by the additional income which it yields, it continues to afford additional employment to all classes.

We have examples of a similar sort of productive debt among private circulators, such as the capital borrowed to make canals, bridges, and turnpike roads. The making of these canals, bridges, and roads, gives employment to many; and after they are made, the creditors derive an interest on their capital lent, by a tax on the commodities which are conveyed by means of them, while the interest is reimbursed by charging on the consumers in the price of the articles, and so forth round the circle. The amount so procured is as much a debt, in one sense, as if the trustees had borrowed money in order to spend it on the articles of good living; and yet it is in reality so much capital profitably invested, and tending to add to the income of the country.

This is the real idea of what we call the national debt. It is so much capital profitably invested in a similar way, and, like the former, tends to enrich a country and increase its income and capital. The government, who is the mere agent in the business, by this mode of borrowing money to invest it as capital, in fact, anticipates the more enriching effects of an increased rate of population: for, without it, the same rate of population would not afford the same amount of employment. *The results of a richer posterity are thus obtained before their time.*

By means of it government is enabled to

give a larger amount of employment, than the national resources without it would permit. The whole of it is laid out, either in certain public works or armaments, or in paying an additional number of circulators of the war classes, and, by giving them income, enables them to give employment to others in the circle. Many of these may, and we know actually do, realize capital which they transmit to their heirs.

Let us next attend to the important process of paying, though a part of the subject usually overlooked by our unproductive theorists. The interest on this capital must be raised by government, by making a charge for it in the prices of things, directly or indirectly. But if government add to the price of articles, the sellers of those articles must at least make a correspondent addition to meet this charge. The buyers, again, in their turn, must countercharge on their articles. And this charging or countercharging will take place through the whole mass of circulators (fixed annuitants being always excepted), till the average general price is raised to a rate that at least fully pays the general charge for the interest on the national debt or capital invested by government.

The proof of this having actually taken place is found in the rise in the price of the different articles used by the nation, or the increase in the national income being equivalent to that

amount. Unless this should be the result, the various classes of circulators, from a diminution of their profits, must fare worse as to living, the quantity of disposable capital would grow less every year, and, of course, the difficulty of borrowing be increased; and the stock created by a loan, unless taken considerably below the market price, will regularly come to a greater discount. But with us, in proportion as the national debt has been increased, we have uniformly found on an average of years, that while circulators of every class universally lived better, capital increased and larger sums were obtained more easily than before. The amount of the interest of the national debt or public service fund, has been fully taken into our average prices. If this for the redeemed and unredeemed stock may be taken at about 42 millions; 42 millions, for this purpose, have been added by the circulators to the prices of their various articles. These prices would be at least as much less, did this charge upon them not exist. The whole mass of circulators are thus just where they were in this point. They have had 42 millions charged upon them, and they have charged 42 millions in return. They are consequently at least no worse off than before; but it is easily shown, that from the very circumstance of there being an average rise on this account, as in the case of all average rises, they must be better: for

though they should only charge each the usual per centage, that being charged on a larger mass will produce a larger return.

The nation thus being possessed of a fund of capital invested in the public service, to pay the interest of which all have raised their prices to a rate that fully reimburses them, let us, in the third place, consider the result of this public service capital. By means of it, the various stockholders derive an income of 42 millions; and, of course, the nation through them. For this is distributed among the whole mass of circulators, either by being used as the means of good living, or being invested as capital to produce a greater annual return. Both ways it creates a quantity of employment among all classes, in their respective lines, equal to its amount. The farmer, baker, shoemaker, near John O'Groates, and the Land's End of England, may, and do feel the impulse of this immense and profitable capital. *The employment created by it is equal to two thirds of that created by the whole of the exports of Great Britain.*

The real fact, therefore, of a national service capital, which we call a national debt, is this: 1. The investing of it creates a corresponding amount of additional employment, producing a great increase of income and of capital, which only a much larger mass of population than that existing could have created, and consequently

gives a strong stimulus to the circulatory powers. 2. The charge for the interest which it bears, is fully taken into the price of things; and the circulators are not merely put into their former place, but into a better, as must ever be the case from all average rises in the price of things. And, 3. after it is created, it remains a profitable capital, yielding an additional income according to its amount, to be shared directly or indirectly by all the circulators of the nation from the highest to the lowest. The actual and necessary laws of circulation and circulation show, that this must be the result of such a capital so created and so used; and incontestable facts uniformly prove the whole to the fullest extent.

But, says Dr. Smith *, "the capital which the first creditors of the public advanced to government, was, from the moment in which they advanced it, a certain portion of the annual produce turned away from serving in the function of a capital to serve in that of a revenue." Not so. From the very moment of its being transferred, it became a capital producing a fair market return of profit: and a capital invested in a preferable manner, in the opinion of the lending capitalist. Why otherwise would he have transferred it? — "from maintaining

* Wealth of Nations, Book V. ch. iii.

productive labourers to maintaining unproductive ones?" This has been amply shown to be, according to nature's arrangements, a distinction without a difference. "And to be spent and wasted, generally in the course of a year, without even the hope of any future reproduction." How spent and wasted? Did it not create an additional quantity of profitable employment, directly or indirectly, to all classes, which, but for this investiture, and its circumstances, would not have existed? As to future reproduction: had it not a similar effect, which the same amount of capital would have had in employing the various classes, directly and indirectly, in any other way, whether in agriculture or manufactures? The only difference would have arisen from the characters and habits of the persons *directly* employed; and this is not very great upon the average, or, at any rate, not at all essential.

But "had they not advanced this capital to government, there would have been in the country two capitals, two portions of the annual produce, instead of one maintaining unproductive labour." There would have been a larger amount of capital to employ on a less varied mass of employment: and a question arises, how far the nation would have gained or lost by this. Here Dr. Smith falls into two errors so common with him, as has been already observed, and

indeed with unproductive theorists of the different sorts. He overlooks the demand, and attends only to the supply; and he does not take into consideration the mode by which an increase of population produces an increase of wealth. It would seem that he was disposed to reckon, that we have only to produce an increased supply, and an equally increased demand will come. This is not the law or fact in nature's arrangements. There it is the demand that regulates the supply, and not the supply the demand. Suppose then the demand arising from the works and employments of war had not existed beyond the extent of the annual supplies, and the disposable capital, which government did actually invest in those, had been applied to the purposes of agriculture, the result would have been a tendency to overstock the market, as we know the capital left amply supplied the demand for producing what was wanted. The probability, therefore, is, the capital so invested would not have been so profitable to the nation, as we know that it actually has been.

The grand means, by which an increase of population tends to increase wealth, are, as has been already noticed, multiplying and increasing employments. The circulators in the new lines, even though these may sometimes be not so profitable as some of the old, are, at least, additional customers; for they labour in supplying

articles of a different sort, while at the same time they use more or less of the productions of the circulators in the old lines. They, therefore, render these richer. The additional number of hands, to which the new sort of national capital gives employment, increases the demand for the productions of the circulators in the other lines, and thus enables these to obtain a greater average amount of employment as well as better prices, than if they all had laboured at the same articles.

It is true, that when a greater amount of capital than usual, is wanted of a sudden for any species of circulant, some temporary embarrassment may arise to others, from a difficulty of procuring an increase of capital, that may be wanted for them also. This takes place with respect to all species of circulant, agricultural, manufacturing, building, &c. But a nation increasing in population is always producing additional capital, which will supply more or less of this new demand. And if there be a real increase in the demand for the productions of the other classes, and the wants of the additional circulators of the new class have a tendency to produce this, credit will soon supply the temporary deficiency of capital, and restore the equilibrium.

On the whole, the increased demand for the productions of the old classes of circulators will

probably, in most cases, tend to render them, and, including the incomes of the new, the nation more wealthy, than if all had laboured at the old modes of employment. Government, it is likely, though possessing an apparent choice in some cases, had seldom a real choice, consistent with prudence. Judging from actual results or facts, an impartial statistician will be very apt to think, that the choice of a public service fund has proved a greater source of wealth to Britain, than the opposite would have been. It indeed cannot be determined by facts, for we have had only one choice tried : but this is incontestable, *that Britain has grown much more rapidly and extensively rich, with such a fund, than ever she did without it.*

The calculations, fears, and hopes, arising from false theories, when compared with actual results, prove sometimes to be so egregiously unlike these, as to be quite laughable. The fears of national poverty and ruin, from our national funding, have been incessant, strong, and general, from the very commencement of that system. Nor have they been confined to the lower classes. The cool and deliberate Hume seems to have been in as dreadful a feverish state of alarm as any of our past or present alarmists among the illiterate ranks. He solemnly delivers an aphorism, which had probably been delivered before, and which has

often been repeated since, though none ever was worse founded or more dangerous. "Either," says he*, "the nation must destroy public credit, or public credit will destroy the nation." This was more than sixty years ago. He talks of "the natural or violent death of public credit as an event which is not very remote." This was in 1752, when the national debt was something more than 70 millions, not the one fifteenth part of what it is at present. Four times the amount has already been liquidated, and the present sinking fund would have paid off the whole in five or six years. Indeed we have seen a sum not much short of that amount borrowed in one year; and in 1815, at the close of the most expensive war ever carried on by Great Britain, or by any power in ancient or modern times, besides other loans, we had one of 96 millions in a lump, and did even this distress or ruin the nation? The answer to this is, that the greatest part of it brought a premium of ten per cent. So much larger was the demand than even this immense supply. The statistician is apt to wonder how such facts fail to open the eyes of those most blinded by prejudice.

When Hume has uttered the fearful prophecy of the near approach of the death of public credit above half a century ago, he adds*,

* Essay IX. Of Public Credit.

"in order to deliver such prophecies as these, no more is necessary than merely to be in one's senses, free from the influence of popular madness and delusion." Who can help smiling here to see the politician himself so completely under the influence of popular delusion, and yet charging those with it who were in this case above it?

The calculator Dr. Price*, after talking in a fright of a debt of 200 millions, remarks of the progress of funding before the American war, that "no resources can be sufficient to support a kingdom long in such a course." Not satisfied with this, in a state of alarm scarcely inferior to Hume's, he mounts the stool of the prophet, and taking up the prophecy, says in a nervous hurry: "But we are, I fear, got so near to the limits of the resources of the nation, that it cannot be allowed much time." This was in 1773, when the national debt was under 130 millions, he says, 138 millions. And now, including the redeemed portion for which interest is drawn, it is eight times that amount.

The evidence of facts, so clear and strong on the side of the public service capital, made Dr. Smith more wary about delivering prophecies of this sort respecting what he calls "the pernicious system of funding." But even the facts he

* Price on Annuities, ch. vi.

had witnessed, could not convince this celebrated theorist of his misconceptions on the subject. Though he dare not mount the prophet's stool like his predecessors, he takes care to throw a kind of gloom over the brilliant detail of facts which showed, that Great Britain had done better with this burden of a national debt on her back, than she had done without it. He plays the prophet more prudently by insinuation. "Great Britain," says he, "seems to support with ease a burden which, half a century ago, nobody believed her capable of supporting. Let us not, however, upon this account, rashly conclude, that she is capable of supporting any burden; nor even be too confident that she could support without great distress a burden *a little greater* than what has already been laid upon her*." This was said of her after the close of the American war, when her national debt amounted to 226 millions, or about the one fourth of what she at present bears so well. Such are the masters under whom we have studied the practical science of statistics: a science of facts.

Many other prophets of some name, though of the minor class to these, might be quoted on this fertile field of gloomy prophecy, to whose prophecies, facts have given the lie direct. With

* Wealth of Nations, Book V. ch. iii.

our national debt and taxes increasing rapidly to the close of the late war, public credit grew better every year, money more plentiful, and every class of society, from the lowest to the highest, richer: that is, fed, clothed, and lodged better, spent more largely on other articles of expenditure, and also laid by more money. This went on till the battle of Waterloo stopt the increase of our debt, and we had unfortunately the favour done us of taking off in one year from 17 to 18 millions of taxes, or two millions more than the whole of the revenue of Great Britain before the war, even in the celebrated year 1792. Of course, this almost entire discontinuance of borrowing, and diminution of taxes, according to our popular fancies and fashionable theories, made the nation richer and augmented employment. No such thing. Nature's results are directly the contrary. This ceasing to borrow, and reduction of taxes, proved, in fact, the era of unprecedented stagnation and universal distress.

There may seem a dash of levity in these observations on so grave a subject. But really nature has shown the groundlessness of the popular prejudices, and the imaginations of our unproductive theorists on it, in so strange and unexpected a manner, at every turn, and has burlesqued their conjectures and results so whimsically and wantonly according to their

ideas, that the gravest statistician can scarcely prevent himself from relaxing into a smile. Indeed, it will be much, if the strange fetches of the partisans of these prejudices and theories to explain away the clearest facts, their boldness in unwarranted assertions, their ingenuity in assigning every reason but the real reason, and their bungling attempts to force nature to be of their side, in spite of herself, do not occasionally increase the smile to a laugh.

Smith has remarked with regard to the effects of public service capital: "The private revenue of the inhabitants of Great Britain is at present as much incumbered in time of peace, their ability to accumulate it as much impaired, as it would have been in the time of the most expensive war, had the pernicious system of funding never been adopted*." On this it is to be observed, that had the amount of employment, without this medium of increase, produced the same or a larger quantity of wealth, as Smith imagines, the prices of the various circulators would have been the same, or larger. For how could the same amount of population use the same average quantity of comforts and luxuries, without charging the same average prices? This steadiness of price, far from being an evil, is a source of general advantage.

* Wealth of Nations, Book V. ch. iii.

Sudden rises, though they may add to the wealth of the country, cause more or less inconvenience; and sudden falls uniformly produce distress and stagnation, in proportion to their amount, and the extent of the circuland on which they directly take place. A steady price, with a tendency gradually to rise, is the best for all circulators.

Dr. Smith, in his hostile notions respecting the national service capital, seems not consistent with himself. This kind of circuland appears evidently to possess the quality or form which he reckons productive. National stock is unquestionably something, that *has fixed and realized itself in a particular subject, or vendible commodity, which endures after the labour (created by it) is past, and for which an equal quantity of labour can afterwards be procured.* No stockholder but knows, that national stock is strictly such a vendible commodity. And if any partisan of Smith's theory doubt this, he has only to go into the Stock Exchange. Yet Dr. Smith has proscribed the whole of this vendible commodity.

To recapitulate: it is as demonstrable in theory, as it is clear from facts, that what we call the national debt, or public service capital, is as really productive of wealth, as capital profitably invested in canals, or any other species of circuland. Its history is that of all other

productive capital. In its origin, or investiture, it creates employment, income, and new capital: the profit on it is fully charged for in the price of things: and the expenditure arising from this creates fresh employment, income, and capital. *It is thus, like all other capital profitably employed, necessarily productive of additional wealth to the community.*

CHAP. VI.

A Plan of Liquidation or Disinvesting suggested.

THE disinvesting of the national service capital is as intimately connected with the examination of the three theories concerning the productiveness of circulators, as the investing: or, if the popular ideas and terms be preferred, the liquidation of the national debt, as the contracting. A few observations on the former will, therefore, not be out of their place, or yet without their use in the present discussion.

Though the fact respecting the capital nationally invested be strictly as has been stated in the preceding chapter, yet it is necessarily connected with taxes, which will ever be an unpleasing circumstance with the great body of the people. This I admit to be a prejudice,

and to arise from false views in statistics. It is, nevertheless, a general prejudice, and, I fear, almost an incurable one.

That the real interests of the people ought not to be sacrificed to their temporary prejudices by government, I also freely allow. But when it can comply with their general or constant wishes without serious injury to the state, it should do so, even though these wishes may spring partly from false or unenlightened views. I speak not here of the *populace*. The members of this body are ever discontented; and no change would please either them or their demagogues for a week. Their prejudices merit no attention, and should receive none. I speak of the general mass of the peaceable and respectable of all ranks, from the lowest to the highest, who love their country, and mind their own business. This body constitutes the real *people* in every state. And though, from its quiet character, and seldom making a noise, or pushing itself forward, it is apt to be reckoned a smaller body than the former discontented, restless, and noisy one, it probably forms five parts out of six in most classes, as we always find, when something does force it forward. Even the prejudices of this quiet and loyal body merit attention. The happiness of the community, which is the grand object, requires this.

There can be little doubt, that though many

of the members of this body have correct views of a national debt, as a mere public service capital, most of them view it as something alarming and oppressive, and their grand wish is to have it lessened. Nothing in finance gives them more pleasure than the progress of the sinking fund: yet they are not satisfied with unlimited accumulation. This certainly looks like making them pay not only for their ancestors and for themselves, but for their posterity also; though they will leave their children a much richer and more improved patrimony than their fathers left them. And they think they themselves ought to share in some of the advantages of the sinking fund.

Though I regard a national service capital in a very different point of view from that in which it is seen by this body, and am perfectly satisfied that the results of their ideas would be, in practice, just the opposite of what they imagine, it appears to me that a plan which would probably please most of them, is consistent with the soundest principles of statistics. The amount of the interest on the debt redeemed is now so considerable, that it admits of a division. *Let the one half of this be applied, as the whole on the entirely accumulating plan, to purchasing stock, and let the other half be regularly cancelled, and some tax to the amount of the interest saved on it be taken off, or some of the un-*

popular taxes modified so as to be lessened to that amount.

By this plan we shall enjoy the advantages of the entirely accumulating system, and, at the same time, make the people feel in the most pleasing experimental manner the actual progress of the liquidation. Every year the amount applied to purchase stock will be increased by the interest on the stock so purchased, and by the interest on that interest, as at present, and the amount of taxes taken off or diminished will also increase in like manner. For example, at the end of the first year every million sterling redeemed, taking the rate of interest at four per cent. will be increased to 1,040,000, of which additional 40,000*l.* 20,000 will be applied to purchasing stock, and taxes to the amount of the interest on the other half taken off or diminished. This double plan, therefore, will still benefit the *selling* stockholder, as well as please the public.

It will be objected, that the stockholder will, nevertheless, be a loser by this plan; for less stock will be bought, and, consequently, it will not rise so high. The seller, therefore, will not gain as much as by the entirely accumulating plan. To this it is answered, that if the seller do not gain so much by this plan, the buyer will gain more, for he will buy it somewhat lower.

Much importance is attached to the rising and falling of the stocks, and much anxiety

excited about these events. The rise certainly, in general, shows rather an abundance of disposable capital, and the fall, the reverse; but with respect to the production of wealth to the nation, it is very much a matter of the mere transfer kind. In regard to individuals, if the price be high, the seller obtains a larger amount, but then the seller has to part with an equally larger amount. And if the income of the former be increased, the income of the latter is diminished. In regard to government, again, when stocks are high, should it have occasion to borrow, it will be able to obtain a greater sum on the same amount of interest; but then, on the other hand, in redeeming the national debt, it must give more for the same amount of interest: and even in the former case what it saves in interest, individuals lose. In sum, with respect to the grand point, the production of national wealth, the rising and falling of stocks are of little or no real import.

To bring so much money constantly into the market has its advantages, unless when there happens for the time to be too much disposable capital. The amount purchased weekly by government is so much additional capital created, for it is let loose among the sellers, as they obtain money for what government invests. That amount, therefore, becomes disposable for the purposes or speculations of the sellers. This,

it is true, will be diminished on the double plan proposed. For the same reason also, the raising influence on price will be somewhat less. Yet the amount purchased will still be very considerable, and it will keep increasing every quarter. Besides, during peace, from the discontinuance of creating new stock, the amount usually invested by circulators in general in this way, will be in the old stock; and in proportion as that numerous body of circulators thrown out of employment by the cessation of the war, gets into employment in the peace lines, the new capital created annually will increase, and the price of stock must rise much higher than during the war, as there was then an annual creation of new stock, to absorb more or less of the new capital.

It has even been insinuated, that the faith of government is in a manner pledged to the creditors of the public, not to meddle with this fund. There seems no foundation for this. The faith of government is indeed pledged to pay the interest of the debt, and to protect the creditor fairly; but as to being pledged to support plans in favour of the seller in the Stock Exchange against the buyer, that is another affair. And I do not see how, even by implication, government can be supposed to be bound to do any such thing.

It surely cannot be in the contemplation of

the warmest friend of the entirely accumulating plan of liquidation, that government should go on redeeming stock till the whole is in its hands. The nation would not submit, with any degree of patience, to the government's drawing 40 millions and more in taxes, for such a purpose, were it even allowed that the national debt would receive no farther increase in so long a period of increase; but this is utterly improbable. Besides, most of the corporate bodies, and many other creditors, would not voluntarily sell, or only at an enormous price. It is true, indeed, they could be paid at par. In the case supposed, on the one hand, the nation would not have the advantages of the expenditure derived before from that part of the debt now liquidated, while an immense weekly increasing mass of capital being thrown into circulation on the amount profitably employed in the other lines, would rather tend to diminish the national income by lowering the rate of profit, and yet, on the other hand, the same amount of taxes must be paid. But farther, at the close of the liquidation or disinvesting, there would be at once a diminution of taxes to the amount of 40 millions and upwards. The result of this would be such a fall in the price of things, that the most injurious consequences would take place. It would be equivalent to annihilating 40 millions, and more, of income. All the distress of 1816

would ensue; and, perhaps, from the suddenness of the fall, effects still more dangerous.

By the proposed plan of liquidation all this would be avoided. The capital disinvested would be thrown in smaller quantities on the great mass of the capital of the circulators, and thus would find means of re-investiture more easily. This is occasionally, in average good times, of much consequence; for, in a country of such a rate of population and wealth as Britain, there is then naturally rather a tendency to a redundance of capital: and when this happens to become considerable, the average supply in most lines may be carried beyond the average demand, and not only diminish the profitable-ness of return, but seriously injure a great many circulators of smaller capital. Towards the close of the disinvesting, to prevent the dangerous effects of a sudden reduction of prices at last, a greater portion of the fund might be applied to diminishing taxes.

In regard to price, as a comparatively small amount of taxes would be taken off regularly every year, the injurious consequences of sudden falls would be prevented. Indeed, it is probable, from the smallness of this amount, compared with the total amount of income or price, that prices would scarcely be depressed at all. The influence of a gradual yearly diminution of taxes on price, even when during the

same period the circumstances of the country might require the same, or a larger amount to be added, would be to render it steady, which is a matter of the greatest importance to circulators in general, and to the welfare of the state.

Should this double plan, which every principle of sound statistics recommends as preferable to the entirely accumulating, be ultimately adopted, Parliament should make it a rule regularly to take off taxes to the amount of the interest of the capital disinvested, every year*. This should be persisted in, to make the public feel the reality of the liquidation, even though the circumstances of the year might render it necessary to lay on the same, or a larger amount of taxes in some other form.

On the whole, there is much probability that a double plan of this kind, combining accumulation with cancelling, would tend to allay fears, encourage hopes, and check discontent among all ranks; and thus produce a very beneficial effect on the public mind.

* The amount of taxes, taken off annually, even at present, would be from 250 to 300 thousand pounds.

CHAP. VI.

Public Retrenchment.

PUBLIC retrenchment is always a popular thing, especially among the lowest classes, and yet, in general, far from being beneficial to these classes, it is apt to be injurious to them. As it is intimately connected with the question under discussion, and is at present the universal cry, it claims some notice.

In private concerns circulators are left to themselves; and their expenditure is regulated either according to their circumstances, or their opinions. Government, as the agent of the nation, has a similar power with that which the directors of corporate bodies possess: and if allowance is made for certain peculiarities connected with the business of a country, the same principles should guide the national directors. It is to be observed, however, that there is a grand essential distinction between the administrators of public affairs, and those of commercial concerns. The object of the latter is a profitable return for their capital invested, or for their services. The object of government is not profit. It is to maintain the authority of law at home, and to secure the nation in its

rights against the attacks of foreign states. In accomplishing this, expence is a secondary consideration. To execute the public business effectively and completely, is the first. And, as in all other cases, the supply should be fully adequate to what is required by the fair real demand.

It is very evident, from the great intention of government, or *the happiness of the nation, of which it is the public agent*, that the expence of it, as has been just observed, can be only a secondary concern. It is, however, a matter of serious import, secondary as it is; and, in respect to it, the government should be guided by the resources of the people on the one hand, and by what the public good demands on the other. We see, that, in society, the more extensive any company is, or the more important its concerns, and the larger its resources, the more varied are its officers, as well as the more liberal the salaries which are allowed them; and this the talents necessary, the confidence placed, and the credit of the company, naturally require. The same rule is attended to, even by societies, who, like government, have not profit in view, but to execute some purpose of advantage for which they were instituted; such as charitable and municipal bodies. The salaries are varied and liberal according to the extent of their business and their resources. We also find, that

in proportion as population and wealth increase, the salaries of the officers are from time to time raised, to keep them on the same comparative footing with the other portions of society that have been making a progress around them. This is the natural progression of things, and is dictated equally by human circumstances and good sense. Indeed, it is the mode, by which nature, through the medium of the increase of population, renders a nation richer the more populous it is. To oppose it is to oppose the order of nature, and to counteract its impulse.

All this is exemplified in the history of public and private companies, when left to themselves. And what is practised by the Bank of England, the East India Company, and private companies of manufacturers, merchants, and others, should be the practice of a government, which may be considered as a national company on a much more extensive scale than any other company in the state. The great object should be to perform the business effectually, by appointing a sufficient number of persons. Their salaries should be adapted to talents, responsibility, and rank, on a scale rather liberal than pinched. They should be at least equal to those of corresponding officers of the other departments of the community, or rather higher, to agree with their natural rank in it, and should regularly rise with the latter. These allowances

should be viewed, as they are in commercial concerns, not merely as wages, but as rewards for the diligent, the able, and meritorious. And as, on the one hand, if the progress of the nation in wealth render the former scale too low, it should be heightened: on the other, if there should be any, who, from peculiar circumstances, receive a disproportionately large income, and such as was not originally intended, it should be reduced to the fair standard. Certain figurants, whom the proper splendour of the court of a great nation requires, will be allowed even by the multitude. But the salaries of mere sinecurists, and allowances that are disproportionately large, ever have been and ever will be viewed with hostile feelings by the great body of the people. Government, therefore, even for its own sake, should either abolish or reduce these, as soon as it can; for their existence prevents it from being so liberal towards the great body of effective officers, as it should be, and as it naturally must be disposed to be.

These ideas, when examined theoretically, will, it is probable, meet with the consent of all whose opinion is of any real value. But when they are applied to particular governments and divisions of governments, then differences arise. As in all other cases, those who either themselves, or whose friends, are employed by the public, will in general think differently from

those who are not. All will agree that the real demand ought to regulate the numbers employed in this line as in other lines of society; and that their remuneration ought to be fair and liberal; but they commonly differ as to the actual amount of the demand, or what is the proper fair and proper liberal. And one party cries, that retrenchment is necessary, while another insists that all is as it should be.

Retrenchment is always a fine topic for a popular orator; and many, both speakers and writers, use it to please the multitude, and maintain their influence, who secretly smile at the result expected from it. Occasionally it is proper, and even necessary, and then it rests on the high ground of morality and sound policy. But nothing can be clearer in statistics than that, *in point of wealth*, retrenchment is almost uniformly injurious to the *working* classes, though they cry out loudest for it. *Retrenchment is, in fact, equivalent to a diminution of employment.*

When an individual has increased his expenditure beyond his income, to say nothing of the immorality of persisting in such a course, he will injure his customers if he does not retrench; for though he may afford them more employment for the present than were he more prudent, he will not be able to pay them, or to continue to employ them. But the public has it in its

power to bring up its income to a fair and liberal expenditure. As for public extravagance, whatever might be its ultimate effects in point of mere wealth, it is equally forbidden by morality and by wisdom.

It has been amply demonstrated, that the employment afforded by national business, is, by means of the income which it yields, the effect which it has on price, and the expenditure which arises from it, as really productive of national wealth as the employment afforded by agriculture or manufacture. The severe distress of 1816, and of the present year, has actually sprung from the *vast retrenchment* produced by the peace*. But it will be said, that, in the case of public retrenchment, what the persons whose income it directly affects lose, others gain by means of a diminution of taxes or prices. Were this the fact, the public would gain nothing on the whole by such retrenchment; for, while circulators in general receive a little benefit, those whose incomes are reduced, are distressed. It would be at best a mere transfer case. John had lost what James had gained.

But it is not a mere transfer case. There is a real diminution of national income and employment, as in the case of a similar reduction

* Book II. ch. ix.

in the income of the cultivators, manufacturers, &c. During 1815 there was a great diminution of the income of our farmers. In consequence of the fall in the price of bread and meat, all the other circulators gained considerably, just as if a large portion of taxes had been taken off, for they purchased those articles of subsistence at a much cheaper rate than usual. They must then all, of course, be richer, according to the argument we are considering. And yet so far was this from being the actual result, that, while the farmers were reduced to the severest distress, every other class in the nation, with the exception of fixed annuitants, shared in the distress, and all were rendered poorer. The cause is very obvious. The employment, which would have been created by the amount of price, that was lost by the fall, was gone. Though bread and meat had decreased in price, the means of obtaining them were diminished in a still greater degree; and, consequently, circulators in general, but especially those of the working lines, were worse off than when both were high.

The case is precisely the same with respect to public retrenchment, or the reduction of the income of the circulators of the government classes. Though taxes should be diminished to the amount, the only persons benefited would be fixed annuitants. All others would suffer a loss of employment and of profit; those who

were directly employed by the persons whose incomes are reduced, and others, through them, round the whole circle. Fixed annuitants, who in all these questions form one of the permanent landmarks of the statistician, would alone be able to give more employment than before, from the supposed fall in prices; but this would be only in the proportion which their income bore to the nation's, and that is but small. This additional employment, therefore, would be trifling in comparison with the amount diminished by the reduction. With this exception, the *retrenchment or reduction of the income of the government circulators, like that of the income of those in the agricultural and manufacturing lines, is a real annihilation of employment and of income, both to the lower and other classes.*

Facts have but too strongly proved this to be no mere theoretical fancy, but a real statistical truth. Our nation, and indeed all Europe, have been for more than a year suffering severe distress from the diminution of employment arising from public retrenchment. I mean not to say, that this was either unnecessary or improper; but only that the unprecedented stagnation throughout Europe has been the actual result of retrenchment, however proper, or however necessary. Nor do I mean to attach blame to any of the governments of Europe on this account. With the prevailing notions and

feelings among all classes, they had little, if any, choice in the case. If, however, they could have retrenched more slowly, and thus granted more time to the peace lines for taking into employment the war circulators, the distress would have been less universal and less severe.

It is curious enough, that the working classes are always the most furious for retrenchment, and yet they are the most direct as well as the greatest sufferers by it. Every shilling taken from a government circulator is nearly a shilling's worth of employment taken from them; for surely, if we reduce a man's income, he cannot be so good a customer to the butcher, baker, shoemaker, weaver, tailor, hatter, &c. as before. Besides, these circulators not only lose the custom of those thrown out of employ in the government lines, but the latter being turned over to the classes of the former, make the matter still worse. While the demand is diminished, the number of suppliers is increased. They, of course, not only have a smaller share of employment, but are paid for what they have at a lower rate. Even extravagance, though it proves injurious to the employers of the mere working classes, generally benefits the workmen themselves, at least, immediately; for, having no capital or property to support them, lose who may, workmen must be paid.

Our zealots for retrenchment, right or wrong, seem to assume, that there is little else but extravagance, or what will bear retrenchment in the government lines of employment. We have some incomes that may be disproportionately large compared with those of corresponding ranks in other lines. But these are very few. On the other hand, every body knows how moderate the pay is of our land and sea officers. And from all the information that I have received, on comparing the salaries of the persons employed in the other government lines with those of persons in corresponding private lines, they seem to me to be rather underpaid than overpaid. Within the last five or six years several of the departments have obtained a rise, but this appears to have been rendered necessary by the actual distress of these officers arising from the old rate of payment. The plan of an increase of salary according to length of service, originally adopted by the Bank of England, has, I am informed, been generally introduced among these offices. And this plan corresponds so well with the natural progress of human circumstances, and with the increasing demands of years, while it so properly rewards diligence, steadiness, and constancy, that it will meet with the most cordial approbation of every well-thinking person, and does great credit to the introducers. Still, however, the salaries are

rather low than high. From what I have learnt, the great body of clerks cannot venture with prudence to marry; and, indeed, most of them cannot live according to their rank without some assistance from their relations. There are, however, many who, after serving fifteen or twenty years, are in easy circumstances; but I have scarcely heard of any that have salaries which can at all be called extravagant.

As to these places being sinecures, that time, I believe, is gone by. Formerly, indeed, the business in many of these offices was done in a very slow as well as careless manner. This appears partly to have arisen out of what some of the clerks in their bitterness called the beggarly spirit of starvation which then prevailed. To save a few hundred pounds a year, there was not a sufficient number of clerks appointed to get through the business. The consequence of this was, those who were appointed, finding that all their endeavours could not do the business of the year in the year, and, therefore, that their exertions were in vain, became disheartened, and, as was very natural, did not do so much as they would have done, had they seen a prospect of completing what was intrusted to them. Year after year the arrear increased: chiefly, of course, in those portions of the public business, which were less of a current nature, and, therefore, less pressing. And when

the truce of Amiens came, from the great increase of business during the war, and the inadequateness of the establishments to perform it, I believe, most departments were in very considerable arrear in one branch or another.

In the year 1805, when the new vigorous system, since universally adopted, began to be effectively acted upon, I have been informed that the accounts of the Army Pay Office for 1782 and 1783 had not been audited, and that there were accounts of regiments, for those two years alone, unsettled to the amount of above 600,000 pounds*. In another office, to quote one more out of many, the arrear was equally great, and kept accumulating, I am informed, till 1811, when an entire new change took place. The very multifarious accounts of this department, which has been connected with almost every portion of the globe, were admirably simplified, and a sufficient number of clerks appointed. The consequence has been, that this office, against which so much had been said, and probably not without some foundation, has thoroughly redeemed its character. The accounts

* Mr. Rose, as Paymaster General, had the honour to be among the first in introducing the new effective system; with respect to public business, by simplifying it, and obtaining a sufficient number of clerks for carrying on the current portion, as well as getting some regularly to work on the arrear.

of every quarter, I understand, are examined in the subsequent quarter as they come in, every letter answered without delay, the claims of every person, whatever his rank, attended to in the most prompt and careful manner, and justice done equally to the individual and the country. Instead of standing among the lowest, for dispatch of business, as formerly, it now ranks with the first. Indeed, for the average quantity of business done, and the promptitude with which it is done, this office is not at present surpassed, if equalled, by any private office in Europe. At the same time, the charge for it, when compared with the amount of expenditure under its direction, on the average of peace and war, is only at the rate of about three halfpence in the pound. And this in some years has been much more than paid by the disallowances against the various accountants*.

A similar statement might be made with respect to most of the other offices of government under the new efficient plan. We shall now soon learn, no doubt, that they also either have cleaned, or are busily cleaning their respective portions of the Augean stable, the result of the old penurious plan. The people ought to be

* The present head of this office is entitled to the highest praise for the system of energy and promptness which he has introduced, in which he has been so ably assisted by the various officers and clerks.

put right on this important point, as so many persons, whether from unacquaintance with the real fact, or from something worse, have misled them by the most unwarranted misrepresentations.

To perform the public business effectively is the grand object of consideration for a country, and not the mere expence. But even in this secondary point, the old pinching system was of the class characterized by the quaint but shrewd saying of our ancestors, as being *penny wise and pound foolish*. The public lost more by incorrect charges than they gained by saving the salaries of some clerks. When accountants knew that their accounts were not to undergo examination for years, if at all, too many were disposed not to be very nice in their charges, or they made such as are technically called *experimental* ones, which might be overlooked. At the worst, if these were ultimately disallowed, they would have the use of the balance so obtained for years. But when an accountant is aware, that every charge he makes will come immediately under the revision of the judge, he finds himself obliged to be more correct. This *a priori* examination, as it may be called, or that made by those who have the expenditure of any portion of the public money, from the rod of instant examination being held over their head, is the best for the public, as well as the most effective.

Those offices, where it has been actually adopted, have found that the amount of the disallowances has considerably decreased, on the average, in consequence of it. This is the surest proof of its efficacy. And though accountants themselves may feel uneasy and grumble at this strictness and promptitude at first, they generally become reconciled to it in the end. At least, the honest accountant will always find it better for himself, his family, and connexions, to have his accounts with the public settled as soon as possible.

To adjust the supply to the real demand, in the government lines, is as proper and requisite as in others. To retrench, therefore, when there is a permanent excess of supply in any portion of them, is the duty of government, whatever may be the result in point of mere wealth. This point, indeed, is considered as the grand reason for retrenching by the multitude; and yet, if the result with respect to wealth were to decide the question, it would be uniformly against retrenchment; especially in regard to the lower or working classes, who have little or no *fixed* income. Public retrenchment is necessarily a reduction of income to more or fewer circulators; consequently, of expenditure and employment. This is universally its result in nature to all but fixed annuitants.

The amount of retrenchment is sometimes so

small in proportion to the amount of the national income, that its effect is not visible, except to very nice and attentive observers, if at all. But when it is very large, the effect becomes so striking, that no observer but must notice it, and all circulators feel it. During the year ending in July 1816, the income of Britain had probably fallen from 300 to 250 millions, partly from the fall in the price of bread and meat, and partly from public retrenchment. And what was the result? An universal deficiency of employment and unprecedented distress. That income, though reduced by a farther large amount of public retrenchment, is at present increasing again, from the great rise in the price of grain; and should this price not fall materially, it will probably reach about 260 millions for the year ending July 1817. And we now find employment, though still deficient, gradually getting a little more copious.

And how can the fact be otherwise? If by retrenchment we reduce the income of Britain 50 millions sterling, how is it possible, that there can be the same average amount of employment, or of income, among the 13 millions of circulators, which we shall suppose she at present contains, when they divide only 250 millions among them, as when they divided 300 millions?

If, indeed, we could retrench without dimi-

nishing income, then retrenchment would not diminish employment. But I should like to be shown by the declaimers for retrenchment, as the grand means for making the country richer and augmenting employment, how this is possible: I mean, by a minute analysis of real facts traced to their real causes. As for mere assertions on this subject, we have had enough of them. Such a result appears to me to be contrary to every principle in sound statistics, every law of circulation, every result in nature. Indeed, it seems to imply self-contradiction.

The great mass of the lower ranks of this country as well as of Europe, are at present suffering from a deficiency of employment; and this deficiency of employment has sprung chiefly from public retrenchment: necessary and proper I grant it to be, yet it has naturally produced the former distressing result. To look on retrenchment as the cure, is completely to mistake the case. That is the source of the disorder; and all further retrenchment must, of course, tend to increase the evil. It diminishes still more the income of the customers to the private lines, and at the same time turns over new hands to those lines, though already overstocked.

Retrenchment may be necessary for some special purpose of government; but what alone can relieve the present distress among the

working classes is the increase of employment. To draw from a certain dialect, not very elegant indeed, but to which those classes, as well as their betters, have been of late pretty much accustomed, all other attempts to relieve them are mere *fudge and humbug*. To raise the income of a country to a fair and liberal expenditure, may not be the most popular, but it will ever prove the most enriching mode. At any rate, in order to alleviate the distress of the people at present, the grand object of government, as well as of all capitalists and men of property, should be, by every means in their power, to create additional employment.

CHAP. VIII.

The Test of Facts applied.

STATISTICS form a science entirely conversant with every day, and, I may almost add, every place, facts, or results, and the actual laws which nature has established in producing them. All theories, of course, the principles and results of which do not coincide with these actual laws and results, however plausible or fashionable they may be, will be rejected by the sound

statistician as founded on misconception or partial views*.

The late French Revolution war put the productive and unproductive theories to as rigorous a test, as we can well conceive it possible to put them, from the sudden and immense increase of the war classes or unproductive circulators, according to Quesnai's and Smith's theories, which it created. What, then, has been the result?

According to the productive theory, every species of employment being alike really, though not equally, productive of wealth, whatever creates additional employment to any class, or classes, it matters not which, must tend to enrich a country; and even to augment the em-

* However persons may act, few, I think, will agree with M. Garnier, that sound reasoning may be contradicted by facts. "These assertions" of the economist, which have been shown, in the course of this discussion, to be founded on assuming what is false to be true, and to be defended by sophistry only, "are almost all incontestable," says he, "and capable of a rigorous demonstration; and those who have attempted to show their falsity, have in general opposed them only with idle sophistry. Why, then, has this doctrine met with so little success, and why does every day diminish its reputation? Because it agrees on no one point with the moral condition, either of societies or of individuals: because it is continually contradicted by experience." Most statisticians, and certainly all sound ones, will, I should imagine, consider that reasoning to be idle sophistry which is contradicted by experience or facts.

ployment of the other classes, by means of the additional expenditure of the former. Both income and capital will be increased in a proportion corresponding with the amount of the new employment. On the other hand, when this additional employment fails, or is lessened, not only will the class suffer an entire or partial loss of income, but all the other classes will suffer more or less through them. Both income and capital will be diminished, and the nation become poorer in proportion to the failure of the employment of the additional kind.

The reverse will take place, if the unproductive theory be the theory of nature, should the increase or decrease of employment be among the unproductive classes. For, as these derive their income from the productive, who alone add to the wealth of a country, the amount of the income of the former cannot be increased without injuring and diminishing the income and capital of the latter. I agree with Dr. Smith, that no such increase can be even a mere transfer case, or leave the two as before. A positive gradually increasing loss, or diminution of the sources of productiveness must take place. "When multiplied, therefore, to an unnecessary number, they" (the war classes, &c.) "may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should re-

produce it next year. The next year's produce, therefore, will be less than that of the second*." In proportion, therefore, as the unproductive classes increase, a diminution of productive income and capital will take place. The productive classes will be distressed, and reduced gradually to a state of greater poverty. The withdrawing of capital from the productive channels will add to the evil, and paralyse the exertions of these classes. Thus every year the country will be more and more impoverished, and its distress become more universal and severe.

But when, again, the mass of productive labourers are relieved from the horde of unproductive labourers that had been living on them, in fact, as it were quartered upon them, their incomes will be immediately improved, the capital which had been turned out of the productive channel will flow back again, and give a new vigour to their exertions, and the late slackness and distress will be succeeded by bustle and prosperity.

These are not the ideas of Smith alone, but of all the writers and speakers on the subject, with scarcely an exception. We have had them repeated every where, both in and out of the House, in newspapers, reviews, and political pub-

* Wealth of Nations, B. II. ch. 3.

fications, since the commencement of the French revolution war, as they had been long before it. And unquestionably they are perfectly correct on the unproductive theory.

What now is the history of Great Britain, during the war commencing in 1793, and finally closing in 1815, with respect to employment, income, and capital?

1. With regard to employment. We find the number of the circulators of the classes created by, or connected with this war increasing, on an average, from its commencement to its close. The amount of their various species of employment was augmented to a pitch which they had never before reached in this country. The employment of the various other classes, we find also, on the average, keeping pace with the progress of the former. With few, if any exceptions, all increased rapidly, though certainly not in an equal degree, from their peculiar circumstances: so that towards the close of this extensive and eventful war, in which all Europe was engaged, the average quantum of employment, or the means of charging, shared among the various classes, including even the number added by the vast increase of population among us, was at least double the amount of what it was, at the commencement.

2. Income. Here, of course, we must except those annuitants, whose annuities were

finally settled before the commencement of the war. With this exception, the increase of the income of the various classes, as must necessarily ever be the case, was equally rapid and great, with that of employment. The income of the war classes reached a pitch far beyond what was ever known in this, or, perhaps, any other country; and yet the income of the peace classes, particularly the agricultural, the manufacturing, and building, far from being diminished by this, kept increasing at a rate not at all inferior. This is proved by the average prices of these classes, which were, on the whole, at least double those of the period preceding the war. The regular increase of the income or property tax proves the same thing. The amount of income, on which the tax was paid in 1815, was to that even of 1800, though only two thirds of the war period back, as 2½, to 1. The incomes of those who did not pay the tax, rose in a similar proportion. Now, if we make allowances for the greater number of circulators from the increase in our population, as well as the more effective mode of getting at the real amount of income latterly, we shall find, even after this deduction from the difference, that the national income, at the close of the war, was fully double what it was at the commencement*. The improved style in point of

* See Letter to M. Say in the Appendix.

feeding, clothing, education, &c. among all ranks, from the highest to the lowest, confirms in the most pleasing as well as impressive manner, the reality of this increase of income. This improvement was visible every year, in every shape. The change in the style of living, to the better, among all ranks, in every district of Great Britain, both in town and country, was as remarkable as the increase in the employment. This, indeed, must necessarily be the fact, as employment, income, and the style of living mutually represent, and, therefore, must correspond with each other*. Every person was crying out, Extravagance! and every person was joining in the same career, of what he called extravagance. Some surly moralists said the nation was mad. And many old people, who recollected the style of living at the close of the American, and saw it at the close of the French Revolution war, expressed their sense of the difference by saying, The change appears almost miraculous.

3. Capital. The increase of this, during the war, has been at a rate of progress, and to an amount utterly unprecedented in the history of this, and probably, also, of any other country. To meet the additional charges of the war classes, and the higher prices of the other classes

* See Axiom X. p. 11.

that furnished materials, government, besides the vast increase in the amount procured by means of permanent and war taxes, has drawn from the disposable capital of the various circulators in twenty-three years, 600 millions. And did this enormous additional demand for capital, for the public service, diminish the amount obtainable by private circulators for their various speculations, as Smith's theory necessarily supposes? Quite the reverse. The amount of capital invested by the various classes in old and new modes, calculated to produce an additional income, has kept pace in its progress even with that of government. The additional capital employed in cultivating new, and improving old land, in agricultural and manufacturing machinery, &c. in buildings, in shipping, in canals, and roads, and by insurance, banking, and other companies, &c. is astonishing. In the Happiness of States, it was taken, in 1814, at the same amount as the former, and the total of capital accumulated during the war of twenty-two years, not then terminated, is estimated at the immense sum of eleven hundred millions; of which only sixty or seventy millions consisted of paper money. Yet all this capital was, on the average, obtained with ease, and without drawing too rapidly on the additional capital created every year, at least since the truce of Amiens. This is proved incontestably by the fact, that,

with the exception of a portion of the war period previous to that time, money was in general procured readily upon mortgage, or the credit of the various circulators, as well as by government, at the legal and common per centage, or five per cent. and frequently at a lower rate. The loan for the last year of the war, which consisted of the immense sum of 36 millions in one mass, exclusive of a considerable sum more in the course of the year, though taken about the market price, brought, as has been already noticed, for a considerable time ten per cent. premium. Disposable capital to that extent, therefore, must not only have been in possession of the various circulators, but even to a larger amount. Had not the capital in possession of the buyers rather exceeded that held by the sellers in this shape, instead of the former bribing the latter with a douceur of ten per cent. to part with it, the sellers would have been constrained to tempt the buyers by offering it at a discount. Capital kept growing evidently more abundant every year to the close of the war. Our loans at the commencement of it, though barely the half in amount, were frequently at a discount, and felt somewhat heavy in the market; whereas the much larger loans towards the close, were always at a premium, and the sellers found buyers much more readily. In a few words, *the greatness of our wealth was*, as it must be from the

very nature of circulant, *uniformly equal to the greatness of our public and private expenditure* *.

Now, with which theory does this statement of uniform, distinct, and consistent effects agree? Are not these actual results in nature, directly the reverse, in every respect, of what must have taken place on the unproductive theory? And do they not as completely agree in every point with those of the productive? Had the increase, which took place among the war circulators, happened among the agricultural and manufacturing, could the result, in point of employment, income, and capital, have been more favourable to the country? Or did this increase not tend directly, in proportion to its amount, instead of injuring, to improve the circumstances of the other classes?

This eventful war was finally closed in one day, by a battle the best fought, and a victory the most complete, in the whole extent of history. At Waterloo the British soldiers, by exertions and courage almost beyond human, saved once more the independence of Europe, and reduced, by one glorious blow, a great portion of the British army to half-pay and poverty. As the extraordinary war which closed on that ever-memorable field, had afforded the statistician one of the finest tests possible to try the

* See Axiom IV. p. 10.

productive and unproductive theories, by creating such an immense mass of what Smith and others called unproductive employment, so its sudden and effective close, by enabling government to annihilate immediately a great portion of that mass, yields a test of an opposite kind not at all inferior in decisiveness.

During the year 1816, in Britain alone, the public expenditure, at a moderate calculation, has been reduced fifty millions below what it was in the first half of 1815: taxes to the amount of above 17 millions have been taken off; and there has been no loan for the public service. Now, what has been the result of the destruction of all this unproductive labour and capital, as Smith calls them? With the exception of fixed annuitants, not a circulator in any nook of Great Britain, but has felt the paralyzing and impoverishing effect of this retrenchment. The cry of want of employment, of poverty and distress, is universal from one end of the island to the other. As there never was before so immense a retrenchment in the public expenditure in one year, so there seems never to have been so complete a stagnation. The result has been dreadful in more points than one*.

* Designing or wrong-headed men have taken advantage of the people's impatience under this deprivation of employment, and the consequent poverty, inflicted by sudden retrenchment, to give them a wrong bias. They have taught

With respect to disposable capital, instead of its being in greater abundance, from its not being drawn off by fresh loans, and from a very large amount in the hands of those who supplied the war productions being no longer wanted, it seemed to have disappeared nearly altogether from among the agricultural, manufacturing, and building classes. All were distressed even for an amount to carry on their diminished works. As to additional or new capital, which for the last twenty years has amounted with us, on an average, to 50 millions a year, far from there being any such sum created during 1816, it seems doubtful, whether the various circulators and capitalists have been able to keep the national capital at the amount which it had reached the year before. With the usual peace prospects of a rise, the funds scarcely improved in price for many months: a decisive proof, that though all the various classes, in consequence of the stagnation, required less capital than usual, there was much less in the money market, disposable for this purpose than before, except in the hands of the commissioners of government for purchasing stock.

the multitude to believe, that the distress springs from the amount of taxes and of public employment still remaining; and yet, nothing can be clearer, than that it springs from the directly opposite cause: from too sudden a diminution of the latter.

Could the depression, the stagnation, the distress have been greater, had there been a falling off in the employment of the agricultural and manufacturing classes to an amount equal to what has taken place among the war classes? A similar depression did happen in the agricultural circulant in 1815; and was not the result similar, though neither equal in universality nor degree? Even the high price of grain, and consequent increase of agricultural income, since August 1816, though they have unquestionably had an effect in forcing some additional movement in the national circulation and done good, have been hitherto almost overwhelmed by the paralyzing force arising from the annihilation of so immense a mass of war employment and income. Never was there so great a diminution of this sort of employment in one year; and never was stagnation so great and universal, or the distress more severe. Such a result necessarily follows on the productive theory: but a very different one would have taken place on the unproductive. The sudden change must have produced embarrassment to the war classes; yet the relief afforded to the income of the other classes, and so much capital employed in the unproductive lines being set free to flow back to the productive, those classes must instantly have found their income improved, and capital more abundant.

Both the war and the peace have thus afforded an equally decisive proof against the unproductive, and for the productive theory. On the one hand, the unprecedented increase in the war employments for twenty-two years produced an unprecedented increase of income and wealth to individuals, as well as to the nation. On the other, the peace, from its suddenness and completeness, enabling government at once to make a reduction of Quesnai's and Smith's unproductive circulators equally unparalleled, produced a state of stagnation, distress, and comparative poverty, no less unparalleled both in degree and extent.

CHAP. IX.

The Stagnation and Distress of 1816.

THE extraordinary stagnation which took place not only in Britain but throughout Europe, on the close of the late war, is so intimately connected with the question under discussion, that it requires particular notice in this inquiry. The year 1816 will long form a memorable epoch in the history of statistics; and will long command the attention of the statistician, whose object is to attain a knowledge of real causes, from the

important information which it lays before him in so striking a manner.

The rise in the average rate of price, the increase of wealth, and the abundance of capital, all in a degree so unusual during the war, were generally attributed to every cause but the chief real one. The course of exchange, the excess of paper-money, fictitious capital, and other imaginary causes, were assigned. Not a few had the hardihood to deny the facts which they could not explain, and boldly maintained, that we were every year getting poorer, and more completely ruined, while every year all classes were living better, and saving more money than before. Others again, less audacious, but resolved to maintain their notions in spite of facts, contended that such a state of things, which was directly contrary to what the doctrines of Smith and other economists supposed, could not be natural, and they consoled themselves with the idea, that such an unnatural result could not be lasting, and that, unless peace came soon, there must be, to use their expression, a general blow-up. Some statisticians, more modest, were fairly puzzled, and owned the causes and results to be equally mysterious. None of them thought of querying, whether it was not more likely that those principles were unnatural or unwarranted, than that facts which came up so unlike what Smith's notions supposed, were

not strictly according to the real arrangements of nature.

There was, however, in this striking result, so unexpected on the fashionable notions, nothing extraordinary at all on these arrangements. It was natural and necessary. It sprang from four circumstances in conjunction: 1. The extraordinary amount of additional employment, and, of course, income created by so extensive a war: 2. The unusual increase of population chiefly indigenous, but partly also arising from immigration during the period: 3. The increase of the demands of foreign customers, which in other wars used rather to be diminished: and, 4. The better style of living among all classes, the common effect that flowed from the former circumstances. These four sources of wealth, which existed in so extraordinary a degree, necessarily produced the extraordinary result. The war employments which Smith had stigmatized as unproductive, were found to be as really productive, as the employment of the cultivator or the manufacturer, while they lasted, but fortunately they were not so lasting.

The unusual stagnation, and consequent distress, arose from the cessation of the causes that had operated so powerfully to increase employment and create wealth during the war. It was first felt by the cultivator; for the recommencement of hostilities, though these lasted for a

short period only, prevented at that time the effects of a sudden reduction among the war classes.

The vast improvements which had taken place in the mode of cultivating old lands, and in bringing under culture new, from the application of such an enlarged amount of capital, aided by the science of enlightened men, kept the increase of the supply of home-subsistence nearly up to the increase in the demand from our population, rapidly augmenting and luxurious as it was. The years 1812, 1813, 1814, were highly genial years, and gave full effect to these improvements. At the close of these abundant years peace came. The French prisoners who had been fed by our farmers, were sent back to France to be fed by their own. A number of French and other foreign emigrants, also, who had remained through fear, went home, now affairs seemed fully settled. And our troops that had drawn more or less subsistence from our cultivators, when in the Peninsula, were, with their attendants, in France or the Low Countries, and supplied by the cultivators there. These different classes probably amounted to 120,000 souls, without taking into the statement our visitors of France and the other parts of the continent, who certainly made a considerable number. According to the calculation in the Happiness of States, these would require

each two acres, or eight quarters of wheat, or what was equivalent to that. Our consumption, therefore, was reduced about a million of quarters, or nearly to the average amount of grain annually imported during the late years, while our supplies had been very considerably increased.

Add to this, importation was then still proceeding. Government also had gone almost wholly out of the market: and it is well understood, that the purchases of government, from being so generally known, and making such an impressive show, have always a greater influence than their mere amount, if made by private buyers, would produce.

All this tended strongly to lower the price of subsistence. Unfortunately, also, at this critical moment, the issuing country bankers, who had supplied so large an amount of capital, influenced, not by real causes and actual results, but by the notions of Smith, of the Bullion Committee, and the great mass of writers on political economy, as well as by mere popular prejudices, that correspond with those unwarranted notions, took the alarm. They assumed, that the price of subsistence had, on the average, risen considerably above some imaginary fixed proper price, which existed in their fancies, for there is no such fixed price in nature, and that it must permanently fall. On this assumption they too

hastily acted, and more to the credit of their caution, than either of their real prudence or patriotism, to say nothing of what the generous spirit of gratitude for the profits they had derived from the farmer in his better days should have urged, almost at once withdrew a very considerable portion of that capital. They thus, by their over-cautions, some will call it pusillanimous conduct, produced the very results they feared. The farmer was now doubly distressed. Not only did the fall in the price of his articles, deprive him of the usual quantity of income and disposable capital, and thus rendered a larger portion of borrowed capital necessary; but the usual amount of this was diminished by the bankers. Many of the borrowing farmers, and this includes by far the greatest number, were deprived of the whole of this capital. These were also such as needed it most. But, with very few exceptions, all, even those reckoned the more wealthy, suffered more or less from the narrowing of the discounts. The result of this double distress was their being obliged to bring their corn to market earlier than usual, which produced such a glut, that wheat gradually fell till the average sunk to fifty-two shillings *, nearly thirty shillings under not the exorbitant prices which had been obtained,

* In January 1816.

but what was a fair moderate average, according to the then rate of prices of other articles.

We all know the miserable results of this depression to the agricultural classes. But was it possible, according to the unalterable laws of circulation and the nature of circulant, that they could suffer alone? The fall in the returns of these classes, measured even from a fair average rate of price, could not be less than 40 millions sterling in the course of a year, ending in May 1816; and though, from the depression in the price of some articles, they could purchase a larger quantity of these than usual, the diminution of their income for the year stated cannot be taken at less than from 25 to 30 millions. On the average, therefore, they would buy at least to that amount less from the other circulators, and thus 30 millions worth of employment, with the income and capital that would have been derived from it, was annihilated.

Peace with America, which took place at the close of 1814, caused a considerable temporary demand for our manufactures, and to a certain extent made up for the loss of the custom of the agricultural classes. But here, as usual, our merchants committed the greatest fault that merchants can commit, although one which they are more apt to repeat than any other. Speculation was furiously at work. They overstocked the market: and thus threw away all the profits

of their enterprises. A market, which, had they been more prudent, would have amply repaid them, as usual, proved ruin to many, and a loss to most.

The revival of the war, occasioned by the return of the restless exile of Elba, had some effect in creating employment; but the battle of Waterloo came like a stroke from Heaven, at once extinguished the rekindling embers of the French revolutionary war, and secured the independence and peace of Europe.

Every one now looked forward to an instantaneous revival of trade, and an increase of every species of peace employment. And that time will at length come most decisively, if the principles of the productive theory be true; but, on the same theory, a very different time must first intervene. The result of the battle of Waterloo, a battle which will form a distinguished epoch in the European history, as long as Europe exists, was so complete, that a reduction of our war establishments connected with sea and land immediately commenced, and nearly all the preparations for war ceased at once. We still retained about half our army, it is true, but the mere personal pay and clothing of an army in peace, creates an inconsiderable amount of employment and income, compared with that during war, with all the concomitants of a commissariat, transports, ordnance, gunpowder, camp equip-

age, high levy-money, a long list of extraordinary, &c. The diminution of actual employment, in consequence of the peace, cannot be taken at less than 50 millions a year, or one sixth of the total amount throughout the nation. In this we have the real, and a fully sufficient cause for the universal stagnation and distress of 1816.

At the close of most wars, peace, by opening more or fewer channels of commercial intercourse, which had been shut during the war, created instantaneously some new and additional employment of its own kind, to counterbalance more or less the amount of the war sort which had ceased. Little of that description happened at the late peace, except from some temporary speculation, on the opening of the ports of America; and this, as has been noticed, partly through the imprudence of our merchants, turned out unprofitable, while the glut produced by it made matters worse for a time than they would have been otherwise, bad as they might be. During the war, particularly the latter years of it, our foreign intercourse, even with some temporary and local interruptions, was, through one channel or another, more extensive than it had been in peace. There was, therefore, at first, very little from this counterbalancing cause to make up for the loss of war employment. The various nations of Europe, who, as well as the United States of America,

had all been engaged in this extraordinary war, were also suffering from the very same cause with ourselves, and, consequently, could not afford to purchase so much as they had done during the war.

The stagnation and distress of 1816 have been imputed to a transition from war to peace. This is saying nothing, unless it is coupled with the circumstances of this transition, and the effects arising out of them. It is not surely meant to be affirmed, that merely passing from a state of things which is called war, to a state of things which is called peace, produces stagnation and distress. The reverse may be, and actually has been, the fact with us. The derangement of our foreign intercourse, during a war, has been so great, while the additional employment afforded by it was comparatively so small, that the restoration of this intercourse suddenly at the transition to peace has been sufficient, by the new employment which this created, to counterbalance the loss of the war employment, and make the nation busier than before.

Some talk of the exhaustion produced by the war, causing the stagnation on the return of peace. This is completely to transpose things. Unusual energy was produced by the vast additional employment created by the war; and great exhaustion has been caused by the peace, in con-

sequence of the great diminution of employment; which peace under the circumstances of the case produced. Suppose our manufactures had reached an unusual height during peace, and, on our going to war with the continent or America, they should all of a sudden receive such a check, that one fourth of the usual employment might be lost. The nation would certainly feel almost instantaneously an exhaustion. But we should reckon that man very wrongheaded, who should attribute the exhaustion to the great increase of manufactures and to peace, because the war, by lessening the usual amount of employment, had diminished our resources, and reduced us to a less vigorous state than before.

Many, again, attribute the distress and stagnation to the high rate of wages with us. This has raised the price of our goods so high, say they, that we have been driven out of the usual markets, and the decrease of our export trade has produced the decrease in the fabrication of the various articles at home.

That our foreign trade has decreased, is true, and that this decrease must tend to augment the stagnation in proportion to its amount, is also true: but this amount is trifling compared to the whole of the diminution of employment. Besides, this reason for the falling off in the exports, confidently insisted upon as it is, seems by no means to be the true one.

The cause of the decrease of our supply for the continent must be found either in the decrease of the actual demand there, or else in others obtaining a larger share of it. If, for example, we used in busy years to send, say, twelve millions of cotton and other goods to a certain large division of the continent, and at present, as we shall assume, we send only eight; one of two things must be granted to be the fact. Either there must be a decrease in the total demand, in the proportion of the difference between twelve and eight, that is, of one third; or, if the demand continue greater than this supposes, the foreign manufacturers must have got more of the supply. They must have obtained what we have lost; and unless the demand has decreased, they must supply this division with four millions of goods more than they did before. They must, therefore, be unusually busy. Now, what is the actual fact? Over the whole extent of the continent there is one cry of stagnation and distress among the manufacturers. They seem to be in a worse state than our own.

And how can it be otherwise? They are suffering from the very same cause with ourselves: the diminution of war employment. Not a state on the continent but was actually engaged in this extraordinary war, and most of them carried their military preparations to an

extent which they had never done before. The reduction of their war establishments, and the discontinuance of those preparations, must produce the same effect there as here. Europe, including Britain, cannot have lost less employment by the peace than to the amount of 120 millions sterling for the first year, but probably much more. In this we find the real cause of that stagnation and distress, which, with a few local exceptions, prevailed during 1816, throughout the whole extent of Europe; and a sufficient cause of the extraordinary result of general peace, which so many candid men have viewed with astonishment, and confessed to be inexplicable. And utterly inexplicable it certainly is on the unproductive theory. But on the productive, it is natural and necessary. In fact, on that theory, it could not possibly be otherwise; for what was there in the circumstances of Europe to counterbalance the sudden loss of employment to the amount of above 120 millions sterling?

Having thus ascertained the real cause of the present universal distress in consequence of the peace, let us now inquire what Britain in particular, and Europe in general, have to look forward to for relief from this distress on the same theory.

The grand source of hope is the increase of population. *The natural result of this is a con-*

stant increase in the average demand. It never ceases to operate towards augmenting employment and wealth, even under the worst circumstances. These may, indeed, form a combination so adverse, and produce so powerful a contrary stream, as apparently to overpower the perpetual forward current of the former, for a time, and produce a general stagnation; but ultimately all must give way and be forced onward by its irresistible impetus. The very ungenial year 1816, though a year of peace, was unfortunately neither favourable to marriage nor to the productiveness of marriage. But the pleasing settlement of affairs over the greatest part of Europe, so friendly to morality and the habits of peace and quiet, the result of the battle of Waterloo, and the sound and generous policy of the allies, are highly auspicious to it. More genial seasons will come. The temperance produced by the general distress, will also lend its aid. There is, therefore, every probability, that population, at least on the continent, will increase much faster for some time, than during the war. If this prove the fact, Europe will in four or five years reach as high an amount of employment, as during the busiest year of the war, so gloriously and happily closed.

It will be said here, that she is at present suffering from a redundancy of population, or from circulators out of employment; and that

the increase of population must rather tend to augment the evil than to lessen it. The first observation is true: the second does not follow from it. The natural effect of the increase of population is to vary and augment employment through the whole connected mass. It is equivalent to an increase of customers. Instead of augmenting any occasional redundancy, therefore, it tends to diminish it, by enlarging the average demand, or supplying additional employment.

Besides, the circulators whom peace has thrown out of employment for the time, are not entirely lost to circulation, as if they had fallen in war. Most of them have more or less income arising either from some capital which they had realized, or from pensions. Those who have not, must find the means of obtaining by their relations, friends, or by working, food, clothing, and lodging at least, though in a degree inferior to what they enjoyed before. Thus they all still employ the cultivator, manufacturer, builder, baker, butcher, tailor, &c. And the employment which they afford the latter, enables these to give some additional employment in return, till at length such of them as are disposed to become circulators in the peace lines, obtain a fair portion of employment and income.

To assist the increase of population in coun-

teracting the influence of the loss of war employment, we have also a large amount of capital that was realized by the various circulators during the war. This produces income, and, consequently, expenditure and employment in the circle. The existence of such capital has been very visible lately*. There never was a time when there was more capital in a kind of dormant state in the moneyed lines. There is a want of sufficient medium for investing it: at least, of such as the capitalists at present reckon safe. In this fact we have a strong additional confirmation of the productive theory: a deficiency of profitable means for investing capital, in consequence of the annihilation of war employment.

The better style of living introduced by the war is another circumstance that strongly co-operates with the increase of population. Circulators do not fall back to an inferior style of living, unless forced to it. And that superior style of living tends to keep up the quantum of employment.

The increase of population, powerful as its influence is, has a great deal to do, in order to find employment for the host of circulators who have been thrown idle upon it from the war lines; but give it only time, and it will do all. About August 1816 there was the first appear-

* February 1817.

ance of its influence beginning to predominate again. The high price of corn materially assisted it. That appeared to me the most critical period of all, and, I confess, I looked to it with the most serious alarm. I dreaded lest the farmers, distressed as they were, should rush into the market at once, and lower the price to what it was the year before. Such a result would too probably have been fatal. It would have broken the remaining farmers that had stood the shock of the prior year. The national income would have sunk to 220 millions at least. The still farther deficiency in employment would have been prodigious; and the most fatal consequences to the constitution, from the desperation of the lower ranks, might have ensued. But fortunately it turned out one of the most tedious harvests this country ever knew; and thus what in other years is a great calamity, proved, in this extraordinary year, the salvation of Britain. Not only did this create much additional employment, but it prevented the farmer from rushing to the market and ruining himself. The protraction of the harvest, and the bad appearance of the crop, both at home and abroad, and the little likelihood of any great importation, raised the price, which otherwise would have fallen, and my fears vanished.

Unquestionably the crop was in general of

an inferior quality; but, with the exception of some districts, in point of quantity, it was very little below an average one. There was also a good deal of last year's grain on hand. Now, as we may calculate every average rise of a shilling on the quarter, about a million a year added to the agricultural income of Great Britain, we may see what a considerable addition to that income will take place this year after all drawbacks. This seasonable addition to income, and consequently to employment, will be felt ultimately by every other class in the island, and it has given, and will continue to give, material aid to the influence of the increase of population.

We have also to look forward to a gradual advance in the demand from abroad, in consequence of the increase of population and wealth on the European continent, and in America. Most people appear to be haunted with the fear of our being driven from the foreign markets, by means of the higher average price of things with us. That our rate of wages, in consequence of our better style of living, is higher, is true; but it by no means follows of course, from this, that the articles fabricated by our manufacturers will be dearer. This higher price reciprocally springs from and produces our greater wealth or capital; and this more abundant capital enables us, by the superior machi-

nery it can employ, and other more efficient modes of working, to make articles cheaper, than poorer countries can with their inferior capital and less effective modes of fabrication, though all the persons employed by us may be paid at a much higher rate. Our workmen also in rapidity and neatness of execution are superior perhaps to most in Europe. They have an adroitness of hand, and a natural sagacity for guiding and giving effect to it, certainly not surpassed, if equalled, by their competitors; and both have been improved to the highest pitch by the complete elementization of labour, which has long been reached in most of our manufacturing districts.

In several of the articles of silk, and some of the finer goods made of flax, the manufacturers on the continent, from having some natural advantages with respect to the raw material, and from having been so much longer engaged in the fabrication of these, excel ours. But in the much more extensive manufactures of cotton and of wool, with some exceptions, we are far before them, and probably shall long keep before them. We have at least as ample means of procuring the raw material of cotton as they have, but in reality, at present, more ample. And in this great division of manufacture, as far as I have seen of foreign articles, we have nothing to fear on a fair competition. In regard to

wool, if we except the finest species, we grow every variety of it in the greatest perfection within ourselves. In many of the metal manufactures, also, we excel them; and the abundance of coal which we possess, gives us as decided an advantage, as the abundance of capital.

While so many of our alarmists at home are frightening us with the idea of being driven out of the market by our higher prices, the foreign manufacturers, who are certainly the best judges in this case, think so differently, that they cry out that we are underselling them in their own market. They are forced to have recourse to the notion that our merchants are regularly losing from 20 to 30 per cent. to achieve this: an indirect acknowledgment of what our superior capital and modes of fabrication can do. The notion, as applied to general practice, is groundless, but it shows what is the real fact with respect to price.

In certain branches of manufacture, the workmen abroad may not only rival but excel us; and in others we excel, and shall probably continue to excel them. That is as it should be. They will buy from us what they can procure of a better kind, and we will do the same with respect to them. The richer they grow, they will become more extensive customers for our particular articles; as, the richer we grow, we

shall buy the more of theirs. All this is according to Nature's benevolent plan. Cordial as is my attachment to Great Britain, and warm as are my wishes for her happiness and prosperity, and I must beg permission to say, that in these points I should not be disposed to yield to any man that has the honour to be among her sons, yet I have no desire to see her flourish to the injury of her neighbours. Her prosperity by no means depends, as some seem to imagine, on depressing them. It is founded on a much more solid and proper basis. It rests upon herself: upon her natural advantages, and her own honest exertions in improving them.

I wish to see other nations making full use of the means put into their hands by Nature, to enrich themselves. And on Nature's plan, even in a selfish point of view, this is better for us. Who does not prefer a rich to a poor customer? Though the nations of the continent may ultimately succeed in supplying themselves with some articles with which we now supply them, the probability is, that we shall always retain a share of the supply in one form or another; and the richer they are, the more will they, on the whole, buy from us, from their using a greater variety of articles, as well as a larger average quantity. The richer they are, also, and the more capital they acquire to contend with ours,

the higher will wages grow among them, and, of course, their rate of price come nearer our own.

People in general overrate our trade with the continent. It is not much more than one third of the whole of our foreign trade, and not equal to that to America, if we include the West Indies. They seem to think we lately supplied them with half the articles they used. If, however, we compare the quantity of goods, which the continent of Europe through all its various divisions bought from us in even its greatest importing years, with its population, we shall see what a small proportion our goods have ever borne to the amount furnished by itself. Including even colonial produce, the annual average is only from 2s. 6d. to 3s. 6d. a head.

To allay our fears and brighten our hopes, it is to be observed next, that Britain holds in her own hands what will ever command an immense export trade with the whole world: and that is, an immense import trade.

It is not my intention here to go into this branch of statistics farther than as it is connected with the grand question under discussion, and, in particular, with the point which we are at present investigating. According to the productive theory, the import and export trade is *merely an extension of the home trade, and is subject to the same natural laws, and produces the same*

natural results. The people seem to consider the import trade an impoverishing trade, and the export trade an enriching one. The balance between them is, therefore, either gain or loss to the nation. If the exports exceed the imports, the surplus is so much gain; but if the imports exceed the exports, then the excess is so much real loss. On the productive theory, and in nature, they are, in their results with respect to wealth, precisely the same. *Both imports and exports are alike productive of national wealth in proportion to the amount of the profitable employment, or income, which they yield to the various circulators of a nation.*

According to the same theory, however much exports and imports may differ in amount in particular years, they must, upon the average of years, like the home transactions between various towns and districts, balance each other. Most persons, however, would consider Britain as ruined, unless she had a regular balance in her favour. Indeed they seem to think that this balance constitutes the only real increase of her wealth. And yet the fact must necessarily be, that if we include bullion, or gold and silver, there will be little balance at all on a long average of years. A nation may constantly export to one country more than she imports from it; but, if all the countries with which she trades be taken into the calculation, her exports

and imports must balance each other. In the former case she can get payment by means of bills on a country or countries, to which she and they stand in opposite predicaments with respect to importation and exportation, or by bullion. But suppose Great Britain were to export only five millions more than she imports on an average every year, which is but a small balance according to the people's notion, in twenty years she must either have 100 millions owing to her, or she must have been paid to that amount, or nearly so, in bullion. The merchants of no country could go on with such accumulating debts as in the former case; and in the latter, bullion, from the excessive demand for it, would be so high in the countries with which she traded, and would be so low at home from the over-abundance, that the merchants of both countries would have abandoned so ruinous a commerce long before the expiration of even ten years.

Besides, it is more for the interest of merchants both to buy and sell on the same voyage, than to buy or to sell only, and to have their ships go or come in ballast. They are all, therefore, as strongly inclined to import as to export.

Thus both necessity and self-interest urge merchants to equalize the exports and imports as nearly as possible. And we find in fact, that

this is actually done. Owing to certain circumstances, the exports and imports of a year may very materially differ, but we shall find a constant tendency to a full settlement of balances on an average of years. The following table of the *real* value of the exports and imports of Britain for six years from 1805 to 1810 inclusive, shows this in a striking manner :

Year.	Imports.	Exports.
1805 - -	£53,582,146	£51,109,131
1806 - - -	50,621,767	- 53,028,881
1807 - - -	53,500,990	- 50,482,661
1808 - - -	45,718,698	- 49,969,746
1809 - - -	59,851,362	- 66,017,712
1810 - - -	74,538,061	- 62,702,409
<hr/>		
Amount of the 6 years }	337,813,024	- 333,310,540
<hr/>		
Average per annum - - }	56,302,170	- 55,551,906

Here we observe a very considerable difference in the amounts of the various years, but the tendency of the whole is strongly towards an average equality. It is also noticeable, that, however much single years disagree, each two or three succeeding years approximate to a similar amount. This is no doubt caused by the necessity which merchants are under of bringing their accounts as fully to a settlement

as they can in that time at farthest. If either importation or exportation be comparatively too high or too low in one year, the difference is likely to be corrected in the subsequent.

Great Britain, from her immense wealth, and from her numerous and varied natural and artificial wants, is fitted to be an importer from every quarter of the globe. And this enables her to be an exporter to a similar amount. However strong may be national jealousies, or however unfriendly the envy roused by her eminence and success, self-interest will be powerful enough to counteract both. She will be the favourite customer with all the world, because she is the most extensive customer, and the customer that pays best. Whatever port her merchants visit, they enrich. They will, therefore, always be welcome visitors. In short, while the population of Britain continues to increase, or, at least, does not decrease, and while her constitution, that glorious result of the purest practical wisdom, which will probably be at length imitated by every state in Europe, remains safe, she has every thing to hope and little to fear as to her trade with all the world.

Having narrowly and anxiously watched the movements of circulation with us, in order to ascertain when some relief might be expected to the great mass of our circulators from a progressive increase in employment again, it appears

to me, that employment and income reached their lowest state of depression in the spring of 1816. About that time, from the immense reduction in the war lines, the low price of subsistence, the decrease of the foreign demand, and other unfavourable circumstances, the progressive current in circulation, produced by the increase of population, seemed to be for once fairly overpowered. An universal stagnation was the necessary result. This distressing languor lasted, with scarcely a symptom of animation, for about four or five months; and it was not till July, that, to use the expression of a naval friend, I could see the least appearance of a cat's-paw on the dismally languid main, to betoken a coming breeze. In that month, however, I did perceive some slight symptoms of these infant breezes in different portions of our manufacturing districts. At length a languid breeze began to ruffle the stagnant main once more, but in a very feeble desultory manner. This has gradually, though slowly, become a little steadier, and the circulation of Britain begins now generally to feel the impulse.

The high price of corn, as has been noticed, had, and continues to have, a stimulating influence. Aided by this, the increase of population is resuming its natural energy. It produces its results with respect to employment, income, and wealth, by enlarging the average demand. And

since I entered upon this discussion four months ago, there is an evident increase in that. There seems to be at present little, if any speculation at work to cause it; and the increase is so equable, though slow, under the adverse circumstances, that I have no doubt but it arises from the natural and necessary increase in the general demand, which springs from an increasing population.

That great impelling power having recovered its sway, there is every ground to hope that the demand will weekly increase, though it must be for a long time yet at a slow rate. We have chiefly to fear lest the price of corn, which is certainly above the fair average at present, should at length fall below eighty shillings, which seems to be about the rate of subsistence on which our present average prices of other articles have been formed. If, however, those of the cultivator keep at a fair price, by the end of 1817 there will be a very palpable and pleasing improvement in the circumstances of British circulators, and the national income will have risen considerably. Foreign circulators will also benefit by this change, and will in time return it. Yet I fear, that unless there should be a very unusual combination of fortunate circumstances, the amount of our national income (and, of course, employment) will not reach the pitch at which it arrived near the close of the

war, or about 300 millions, in less than three or four years.

The war, and its sudden termination, put the productive theory to a most severe test in two opposite ways. The peace will now present the statistician with the means of trying its reality in a third distinct, though less violent or marked manner. What has just been stated appears to be what is likely to happen on that theory.

I take this opportunity to call the attention of the manufacturer, the merchant, and banker, to what has been stated by the author of the *Happiness of States*, on the bad effects of over-supplying*. This is the most dangerous fault that either manufacturer or merchant can commit, and yet it is what both are most apt to commit. The worst is now over. A progressive movement in circulation is again taking place. The demand in the home, as well as in the foreign market, will in all probability increase perceptibly, and at length will become brisk. The circumstances of our manufacturers and merchants, who have long had so little to do, while so many of their workmen were out of full employ, on the one hand, and, on the other, the abundance of disposable capital, owing to the diminution of the means of investing,

* Book II. ch. v. p. 85.

will render them more than usually inclined to speculate. They ought, therefore, to be particularly guarded, both for their own sake, the sake of their workmen, and the sake of the nation. As for mere speculating adventurers, caution will not do for them; but it is more than ever necessary for the regular supplying houses. The attention of manufacturers and merchants, as well as of the public, has been hitherto called too much to the supply. This is one of the practical errors of Smith's unproductive theory. Their chief attention should be turned to the demand, which is the grand regulator, and the only safe one. They should watch this, and be drawn on by it; rather than head it. Should speculation become active and general, they must yield to a certain extent, it is true, or lose some of their regular customers; but they had better incur this loss than give way to a temporary over-demand, which must necessarily end in a much severer loss, and in a distressing stagnation. In all cases of speculation it is for their interest, as well as that of the public, to check rather than to encourage it.

This is no ordinary time; and it is the time for the wealthy to spend and not to retrench. The real cause of the present distress among the various classes of circulators is a great deficiency of employment; and to retrench is to render that deficiency still greater. This is the

plain fact in real life, whatever it may be in the mouths of popular declaimers, or the fancies of theorists. And as the source of the distress lies more in a deficiency of the means of employing capital, than of capital itself; all capitalists should for the time spend as liberally as they can with prudence. This will not only tend to relieve the lower ranks, but ultimately to procure themselves the means of investing their capital to better advantage. Every shilling added to expenditure will have its effect; and in a certain state of the demand, when it is overpowering some unfavourable circumstances, it is surprising how small an amount, co-operating with it, will have a general influence.

Those capitalists and wealthy circulators who are willing to assist their countrymen in this crisis, should, however, be more attentive to increasing the demand, than the supply. The latter will always follow the former; but if they merely employ persons to supply things in order to sell, they will rather add to the distress than mitigate it. They will deprive the regular suppliers of a part of the demand. What additional employment they give should be entirely for their additional consumption*.

* Among other things that might be suggested, why should not our patriotic capitalists of the metropolis lend their aid towards proceeding with the new street to the Regent's Park with vigour? Why should not government go

To conclude the observations on the memorable year 1816, its evidence in favour of the productive theory is complete. A year of stagnation so universal was not indeed wanting to confirm that theory. Yet such a year of diminution of war employment, with such results, decides the question. In common years there are generally so many currents and counter-currents in circulation, that ingenious men, with a little management, can find plausible arguments for both sides of the question; but during this year the impoverishing cause was so vast, and its results were so palpable, that it has left not a shadow of ground for doubt. The effects are as universal, uniform, and monotonous as the cause. The evidence is all of a side, and it is decisive*.

on with the Waterloo monument? &c. These undertakings would have a powerful and beneficial effect at present. No time can be ever more proper for such projects.

* A sanguine believer in the productive theory quaintly observed, that the allied powers, in signing the treaty of the peace of Europe, had unconsciously signed also the death-warrant of their own statistical creed, the unproductive theory. Cooler statisticians, of the same side, will be apt to query whether prejudice may not delay, if not prevent, the execution.

CHAP. X.

SOME OF THE LEADING IDEAS AND RESULTS OF
THE PRODUCTIVE THEORY, IN STATISTICS.

HAVING now found that facts, and reasoning from them, alike prove the productive theory to be the theory of nature, it may be useful to recapitulate some of its leading ideas as well as results in statistics.

1. *The chargeability of circuland is the source of wealth.* Other qualities affect only the quantum, not the reality of productiveness.

2. *Every species of actual circuland is, therefore, a medium of creating wealth ;* for all, which circulators continue to use, possess the quality of *profitable chargeability.*

3. *All classes of circulators are, therefore, alike really productive of additional income and wealth to the nation as to themselves.*

Whether the circuland in which they deal be connected with peace or war, or whether it be necessary or superfluous, their influence in creating wealth to themselves and others, is alike real. The soldier, the sailor, the statesman, the lawyer, the clergyman, the medical man, the schoolmaster, the player, the painter, no more diminish the income and wealth of the plough-

man, the farmer, the landowner, the manufacturer, the merchant, than the latter diminish the income or wealth of the former. Every class has a mutual influence in adding to the income and wealth of all.

4. *Every new species of circuland, which is really additional, increases the income, capital, and wealth of a nation.* The circulators of this new sort are so many additional customers to the old sellers.

By being *really additional*, is meant new circuland, that does not come in the room of, or supplant any old. If the new supplant the old in a greater or less degree, it is not additional to that degree. It is of the mere transfer description, leaving the total of circuland as before, unless the circulators of the new sort are enabled to charge higher than those of the old.

5. *Employment being the medium of charging, carries in itself the means of paying itself.*

The great object of government, therefore, should at all times be to augment, as far as it can, the amount of employment. Only let the people be fully employed, and each individual will amply pay both himself and his employers.

6. *Whatever creates additional employment, whether in peace or war, creates additional income: 1, to the person employed; and, 2, by means of his expenditure, to others.*

7. *Every increase of population necessarily in-*

creases the total of circuland, stimulates the circulatory powers, and proves the source of an increase of wealth to the whole mass. For every unit added to population brings the amount of his circuland, both as seller and buyer, to the former general amount.

8. *This increase of wealth is not merely according to the old proportion, but according to a new one, which, ceteris paribus, keeps constantly increasing, with the increasing number on the same extent of territory.* They all share a larger average quantity of circuland than before.

From the mutual stimulation of circulators, the more numerous and crowded they are, the greater must be their artificial wants, as well as the means of supplying these. The sources of wealth, and wealth the result, are, therefore, not only uniformly increased with the increase of circulators, but in a proportion greater than the former, according as the increase is more rapid and the society more crowded.

9. *For the same reasons, every increase of population tends to create an additional average quantity of employment.*

10. Every seller necessarily supposes a buyer, and every buyer a seller: *all circulators alike pay themselves, by means of others. They meet charge by charge. And this charging and countercharging form a common fund, into which all put as much as they draw out.*

There is, therefore, no such thing as consumption or waste of wealth, in the popular sense, from charging. *Circulators, in using circuland, or drawing upon the common fund, by means of others, from mutual stimulation and the universal desire to get as much as they can, instead of diminishing, keep adding to this national heap.*

11. *Price is the medium by which the circulators draw their respective proportions from the fund. It therefore rises according to the average amount of the charges for subsistence, clothing, lodging, the expences of government, and the rest.*

In all cases it will, on the average, rise fully to supply the amount required from the circulators, if the stimulus be sufficient. This depends almost entirely on the increase in the demand, or in the average amount of employment: and this, again, on the increase of population at home or abroad. If population decrease, price will not rise, but rather fall back, and poverty and distress must be the result. But an increasing population always possesses stimulus enough to raise price to the proper rate.

12. *Thus there is no fixed rate of price by nature. With an increasing population there is a constant tendency to a higher general rate, and with a decreasing, rather to a lower.*

13. *It rises from circulators charging for some new items, or higher for the old, and not, as*

has been commonly imagined of late, *from any depreciation of money, passing at its nominal value, unless the standard of the latter be altered by authority.*

14. *The higher the general average rate of price, the richer the country.* For it springs from, and represents, a greater quantity or variety of the articles of good living, &c. in use among the circulators.

15. *With an increasing population, therefore, there can be no strict ne plus ultra to the resources of a country.* Price will always rise to a rate sufficient to pay the demands on the circulators for actual employment.

16. *All additional charges, whether in the shape of taxes, demands to supply a better style of living, or in any other form, whomever or whatever these may affect directly, are ultimately taken into the general average price of things. They are thus paid for by all, and, with the exception of fixed annuitants, countercharged for by all, as completely as the old, or original charges.*

17. *Importation, which is merely an extension of home buying, is as real a source of wealth as exportation, which is an extension of home selling : and for the same reasons.*

Importation creates additional employment, and of course, additional means of charging to all the circulators connected with it, just as exportation does. It thus increases circulant to

the whole of its amount, and stimulates the circulatory powers in proportion to that amount, like the latter. All the difference lies in the manner, and in the circumstances of the circulators actually concerned. Exportation generally creates a greater average quantity of employment to the home circulators; but in proportion as either does create employment and produce income, it is comparatively more or less productive.

18. *The totals of exports and imports of a country must, on an average of years, nearly balance each other: as the totals of what is bought and sold within the country: and for the same reasons.*

19. *Population is the regulator of every thing, which depends on the will, whether in the form of subsistence, clothing, lodging, teaching, or any of the other branches of circulant.*

With regard to subsistence in particular: from the time that men became cultivators, they took the regulation of this great division of circulant into their own hands; and until the time arrive, if ever such a time shall arrive, when the earth is peopled to a pitch beyond which it cannot feed more, they will be able to regulate subsistence, both in quantity and kind, as completely as either clothing, lodging, protecting, serving, or teaching.

20. *As population thickens in regard to terri-*

tory, the greater average amount of capital, produced by its increase, continues to put it still more in the power of circulators to regulate effectually the various amounts.

21. *Money is merely a measure of value, or a species of counters between circulators. So as it accomplishes its purpose, the material is not of consequence in this main point of view.*

22. *That exchanging circulant, or money, however, which affords profit and income, is productive to a nation; and that which yields none, is of the mere transfer cast or unproductive.*

Thus a nation loses by all the metal money which it uses, because this sort produces no profit; and gains by the paper money in circulation, for it brings profit to the issuers. Every million of metal money which a state circulates, makes it incur a loss of annual income to the amount of 50,000 pounds, more or less; for this amount might be gained by the issue of paper money.

The former creates no additional capital. As much is given for it by the issuer, as is got from the circulator. But paper money creates an additional amount of capital equal to its own amount; for the issuers give only their credit for it, and yet obtain as much for it, as if they had issued gold or silver.

23. *Paper money, issued merely as money, being regulated by the demand, can never become excessive in its amount, or exceed what is wanted.*

24. *Neither is such money, so issued, depreciable, when compared with a fixed standard, as for example the British pound sterling.*

25. *Such are the arrangements of nature, that the individual and the nation partake in each other's fortunes, whether good or bad; and (except in mere transfer cases) no particular class can either prosper or decay, but the others must share, more or less, in the success or the misfortune.*

CHAP. XI.

The moral and political Effects of the productive and unproductive Theories.

OPPOSITE as are the results of the two theories with respect to the production of wealth, their moral and political effects on the minds of the circulators are nearly as discordant.

The unproductive theory not only leads to every thing false or incorrect in statistics, but to what is pernicious in morals and dangerous in politics. The notions which arise from it have a most injurious influence on the public mind. Its views are as immoral in their tendency, as they are unwarranted by facts. It is gloomy and malevolent, and calculated to set the various classes of society against one another, as well

as to inspire general discontent, and a spirit hostile to subordination among the lower classes.

The proper economical species of unproductive theory, or that of Quesnai, tends to degrade more than a moiety of the human race, or all that are not directly connected with agriculture, into paupers, and to set the one portion against the other. But though it would have that effect, if believed, it is of a cast too shadowy to become popular among the lower classes, or even to meet with any attention from them. Besides, it is against the prejudices of manufacturers, mechanics, &c. and, consequently, the greatest part of the lower ranks; for it excludes all from being agents in producing additional wealth, but peasants, farmers, and landholders, employed in cultivating the soil. The rest are paupers. It seems also to be rather of a tame neutral character, and does not inspire very malignantly hostile feelings. I know not whether those agrarian visionaries, or anti-propertyists, the Spenceans, can be traced to these speculatists.

The theory of Smith is of a very different cast. It has given a learned consistency to some dangerous fancies of the populace. If it has not opened, it is calculated to keep up a most inveterate feud among the various classes of mankind. It sets man against man. It tends to make the lower ranks dissatisfied with their

condition; restless, unfriendly, violent, and insolent. It is also the parent of sedition: "equally injurious to the happiness of individuals and to the public tranquillity. It endangers the wisest institutions of a country." The nonsense of unproductiveness as to classes, which is a thing that cannot possibly exist on the present arrangements of nature, has, in the shape of one wild dream or another, produced two thirds of all the insurrections recorded in history.

Mr. Gray has been charged with attributing worse effects to this doctrine, than a mere theoretical difference could produce. In this the remarker is as successful as usual in being wrong; for, unfortunately for his observation, since the *Happiness of States* was published in 1815, we have seen his history of the effects of that doctrine once more strongly exemplified*. We have seen the opinions of Smith respecting labour actually used to create a general spirit of insurrection among the working classes, and produce some serious commotions. And, with the notions of that writer, and other unproductive theorists, such results are, and ever must be, natural. The deliberate Hume himself has all but plainly suggested the extinction of the national debt; and Smith represents it as wasting the

* *Happiness of States*, Book II. ch. 3.

vitals of the country. When such wild ideas are sported by such authorities, and in all discussions, both in and out of the Houses of Parliament, admitted by every party, or at least suffered to pass as indisputable principles, with scarcely even a dissenting shrug from our leading politicians, however different their real opinions may be, what are we to expect from the working classes when they are distressed from a want of employment? Let any person put himself in their case: consider himself, according to Smith, as the chief author of all wealth, while he sees certain unproductive persons, according to Smith also, rioting in abundance, derived from him, at the very time that he is starving; and what are likely to be his feelings? The unproductive theory, with the doctrines which necessarily arise from it, lays the public mind constantly open to the most dangerous impressions of unprincipled demagogues. If the friends of British freedom among the higher and learned circles, instead of endeavouring to disseminate correct ideas on this subject, assist in strengthening them by their concurrence, or pusillanimously, in deference to popular prejudices, avoid combating these dangerous ideas, though they reckon them to be unwarranted, we must abide the consequences. These may at one unfortunate conjuncture or another prove fatal. The press, though favourable to the dis-

semination of truth, is still more favourable to the dissemination of error, when this is connected with popular prejudices. These groundless fancies, universal as they are, may be made the means of ruining that constitution, which is the glory of Great Britain, and the admiration of all wise men; and which has raised our island to its high rank among nations. Thus at once would be destroyed British freedom and British happiness.

The present disloyal and seditious spirit which has infected the great mass of our working manufacturers, and other labouring classes, springs directly from the poison which they have imbibed from the unproductive theory. There is something peculiar and new in the character of this disaffected party. It seems to consist chiefly of the journeymen of Britain, and to arise from the notion, that their labour is the grand source of all the wealth possessed by British circulators; and yet, while thousands of rich paupers, who owe their all to them, are rioting in the spoils plundered from them by public extravagance, they, the authors of all, are starving, degraded, and despised. To this some partisans of another school have tacked the old ideas of universal suffrage and annual parliaments.

This body will become more and more formidable every year, unless the great mass of

them are taught to entertain more correct ideas. The natural effect of the increase of population and wealth is not only to subdivide or elementize labour more, but to render the labourers more gregarious. It brings them together more in connected masses. They are thus rendered not only more untractable and dangerous, but more liable to be worked upon by designing men. And when once a bad spirit gets among them, it is more apt to pervade the whole, as well as to be permanent. The tranquillity of the country, and the safety of the constitution and of genuine liberty, imperiously demand it of government and all men of influence to exert themselves at least to counteract this bad spirit among so numerous a class, if they cannot completely expel it.

The spirit evidently springs from reasoning on false principles, and can only be effectually cured by reasoning from sound. Many, no doubt, think that the greater portion of these men are incapable of reasoning at all upon the topics connected with the production of wealth. But they are very much mistaking: their leisure time is principally taken up in discussing them. Of late they talk of little else. Their notions, it is true, are crude, full of fancy and mere prejudice, and lean all to one side; but still they affect to appeal to reason and common sense upon them.

The productive theory, or the doctrine of *the productiveness of all classes in point of wealth*, goes at once to the root of their disaffection. It not only completely sweeps away the cause of their hostility to the higher classes, but at the same time tends to render them friendly to these. The process of its proof is level to their comprehension, and they are well acquainted with the actual causes and facts from which it is deduced. These are daily before their eyes. When fairly propounded to them, it accords so entirely with what they see around them, and actually feel, that they cannot fail to observe its agreement with the results in real life. In one grand point it falls completely in with their own prejudices in favour of themselves, or the advantages of a high rate of wages. Were men of influence to exert themselves, and reason with them on its principles, they would find in time a beneficial change. The hostility of the major portion would, at least, be softened, if not entirely removed. Many of them, from a constant appeal to the facts around them, would own the truth, and become its defenders in their own way. This also would assist in neutralizing the body; and no more can well be expected on this point. But it is much. It would entirely do away the danger.

He must be a visionary indeed, who looks

for any changes of this kind of a sudden. But in a free inquiring country like ours, where reading is so general, it is astonishing how soon certain new leading ideas will pervade the general mass, if they are once entertained by the learned and higher ranks. In less than twenty years, the plausible but false and dangerous notions of Smith concerning productiveness had reached even the illiterate classes. Such doctrines, though received or attended to at first only by learned men, who make the subject their particular study, soon appear in print in various shapes, and become the topics of conversation among the upper ranks. By degrees they gradually extend themselves, and keep descending till they reach the great mass.

While the doctrines of Smith and our unproductive theorists on the vital point of the production of wealth, are admitted by our learned and higher classes, the danger alluded to will not only continue, but increase. Should the productive doctrines, however, on which side actual causes and facts are uniformly found as clearly as they are against that of the former, obtain attention from these ranks, this disaffected body might at length be inspired by a better spirit. Instead of looking on themselves as the chief, or rather the sole authors of the wealth of a country, they would see that they are only authors of a portion; and *of that portion, only in*

conjunction with those whom they have been taught to hate, as drones, or rather cormorants in society. They would ask themselves a simple natural question or two, which would serve to put them right.

"It is true," would a journeyman say, "I may labour hard, and make the finest articles imaginable for the market: but what then? Of what use is this labour and this skill to me, *unless I can find customers to buy them?* Were there not classes distinct from mine, I might as well sit idle, or play at trap-ball. The richer they are likewise, the better for me—the more will they employ me; and the more comfortably shall I and my family eat, dress, and lodge. What some plausible speakers and writers call ruinous extravagance, I see, gives me and my companions more constant employment and better wages. I pay taxes, indeed, for the national debt, and to pay those employed in the business of the country; but then I charge for that in my wages, as really as for my dinner and my house-rent. Moreover, the incomes of those folks are spent in employing me and my neighbours, and so I see it goes all round. I get a better dinner by means of them, I observe it plainly, than I could expect without them. And when they suffer, or become poorer, do I grow richer? No such thing. Whatever these orators and pamphleteers tell me, I see quite the

reverse. I fare worse along with them. Their distress causes my distress. They having less to buy with, my master of course sells less. Therefore, I am not only worse employed, but I have less for what I do. They may talk, and they may write likewise; but less employment and lower wages are not things either for me or for my family."

The productive theory has as strong a tendency to make men contented with their lot, quiet and happy, as the unproductive, to render them dissatisfied, restless, and uneasy: it unites man to man. Instead of setting the various classes against one another, it disposes them all to be friendly, for it exhibits them far from being mutually injurious, as assisting one another in the common pursuit of happiness. According to this beautiful system of nature, in the great articles of income and wealth, on which so much of human well-being depends, "*directly or indirectly, all necessarily share more or less in the acquisitions of each* *." Every class is found to be useful to the whole.

The unproductive theory is calculated to irritate; the productive to sooth. The former heightens the natural evils of existence, and diminishes the natural good: the latter softens the one and improves the other. The unpro-

* Hap. of States, Book II. ch. x. p. 128.

ductive ideas naturally inspire an envious, malevolent spirit; and the productive as naturally a spirit of cordial good-will and benevolence. Indeed, this sublimely benevolent system of nature exhibits the various classes of circulators in so friendly a light, that it cannot fail to have a good effect on the sourest and most malignant disposition. A man can scarcely be a real believer in it, and yet not feel the emotions of benevolence roused frequently in the liveliest manner. It tends to make men kind, friendly, cheerful, happy.

CHAP. XII.

Some concluding general Observations.

WHEN an inquirer calmly considers that it is a truth strictly demonstrable, that the *reason of man is the source of all capital, and every species of employment, and, in fact, of the whole of the materials of wealth save the mere forms of things, which, with the exception of the spontaneous portion of subsistence, would be of no value to circulators without it*, he will instinctively query, Must not mind and its exertions, according to the arrangements of nature, be

particularly productive? That what is the general source of all wealth, should be unproductive of wealth, when eminently applied to particular forms, seems, *à priori*, to be an idea neither natural nor rational. Yet our unproductive theories have in a manner proscribed mind. Quesnai, Smith, and all the other leading men in economism, whatever shape it has taken, as well as their partisans, have joined to pass a sentence of pauperism on mind and its peculiar exertions.

It is only when brute matter predominates in the transaction, it seems, that it loses its impoverishing quality. Of itself it tends to diminish the wealth of a country. They have pauperized not only our soldiers and fighting sailors, in whom courage, skill, and many other mental qualities are so conspicuous, but our clergymen, both established and dissenting, our teachers, schoolmasters, tutors, and professors, our various classes of lawyers, from the clerk up to the judge, our medical men of every class, our composers and performers of music, our painters, our diplomatists and statesmen, our philosophers, our authors, whether writers on science or on matters of amusement, historians, dramatists, or poets: in truth, all the classes of circulators, who procure their income chiefly or entirely by the exertions of the intellect, or who may be called the dealers in the articles of the

mind. They are rendered paupers with respect to circulators in every mental respect inferior to them. And why? Because the latter are particularly connected with mere matter, or employed in modelling it. To every impartial statistician, this must have the appearance of a very wild system.

That so many eminent clergymen, lawyers, medical men, statesmen, and writers, should have submitted so long without a struggle to be stigmatized by mere theorists before the people, as paupers to classes in rank and mental qualities so far inferior to them, is rather surprising. Does it arise from a want of attention, or else of proper spirit? Is it from a greater respect for the whims of speculatists, than for their own character before the multitude? Or is it, as is most probable, from their labouring under the influence of a gross delusion?

A gallant and intelligent sea-officer, now a thorough convert to the productive theory, told me, that often as he has walked the quarter-deck, though satisfied that he was employed in performing a most important duty, the mortifying notion of Smith would come into his mind, that he was living on the income of others, and of course a pauper, and that, instead of increasing the wealth of his country, like the labourer or mechanic, he was diminishing her resources.

Smith himself felt the degradation inflicted by the economical fancies. "The third is the class of artificers, manufacturers, and merchants, whom," says he, "they endeavour to degrade by the humiliating appellation of the barren or unproductive class*." Ought he not to have considered that he himself was endeavouring to degrade in the same way the most respectable and useful classes in society? These may well ask, had he any more reason for it, than Quesnai had for degrading his productive classes of artisans, manufacturers, and merchants?

It is one of the many excellencies of the productive theory, that it restores mind to its proper rank, in the great article of wealth. According to it, those who do good to mankind by means of the exertions of mind, are as really productive of wealth to a country, as those who labour at modelling mere matter. *None are paupers*, or, if we choose, *all are alike paupers to one another. All are mutually dependent on one another for all their wealth; and all are mutually useful to one another in procuring it.*

The source of the error of our unproductive theorists is their viewing circulation partially. They confine themselves to one or two of the links of the chain, which are next to them,

* Wealth of Nations, Book IV. ch. ix.

without tracing the whole that form the circle. They almost uniformly content themselves with attending to the mode of selling, without considering the essential part, the process of paying; for, without the ability in others to pay, where would be the use or profit in making to sell? In constructing their theories, they view the circulator as a seller, and not as a seller and buyer in one. They turn their attention chiefly to the supply, as, if that be created, the demand must follow. This is to reverse the law of nature.

These *ex parte* theories coinciding with the inveterate prejudices of the multitude, have obtained a currency which they could never have otherwise reached. It seems to be an idea entertained by most people, that *wealth exists in some peculiar solid form*, of which all who enjoy it obtain a larger or smaller portion, though, when pressed, none of them can tell exactly in what that peculiar mass consists. Among the lower, and, indeed, many of the middle classes, metal money, or gold and silver in the form of coin, appears to constitute this mass, though it be merely a medium adopted to render the circulation of what really is wealth, prompt and easy. Exchangeable wealth, which is the wealth we are discussing, or the medium of obtaining the necessaries, comforts, luxuries of life, the acquisition of which is the object of

us all, as circulators, consists in the *means of charging upon one another, or procuring a price*: and it is in proportion to the amount of these means in possession, that any person is more or less wealthy. So as the power to charge, or to procure a price, be possessed, it is immaterial with what it is united. This power to charge obtains us what we want.

Dr. Smith, whose theory has long been the prevailing one, falls in with popular prejudices on this grand point. He, like Quesnai and the multitude, must have *something solid* on which to rest his productive quality. Instead, therefore, of attending to the power or the real principle of productiveness, he must fix on the form with which it is united, though this of itself has no wealth-producing power at all. He had observed the great wealth derived from those products of employment popularly called manufactures. The circulators connected with these are very numerous, and they charge high, while they are commonly found in a gregarious state, and exhibit a striking appearance of active capital, and profitable business. These products are also more than any other connected with that showy medium of wealth and business, foreign trade. Influenced likewise by popular notions and the ideas of Quesnai, he rashly concluded, that the form which in these produced wealth, must be the source of produc-

tiveness; and, of course, that all species of circuland which do not possess a similar form in charging, are unproductive.

In this he committed two radical errors. He left out of his consideration the grand point, that, in order to render this form productive, the power to charge must operate on the incomes or purses of others, or must derive its real productiveness from them. And next, he confounded the productive power with the form with which it happened in this conspicuous branch of circuland to be united. Take away the real productive power, or the *power to charge*, and what remains? A mere *caput mortuum*, which will neither produce income nor capital. But unite this power with any other form, and what is now the result? Just the same, which arises from its combination with the form of manufactures: income and capital to the circulator; and, consequently, by means of his expenditure, income and capital among the other classes of circulators round the whole circle.

The errors on this fundamental subject may be traced chiefly to not thoroughly analysing price, and obtaining a distinct view of the various items which compose it. Another source of the errors on this subject is found in our economists not being fully aware of the vast influence that the increase of population has in

producing wealth, and of the process by which it effects this. It is "the great, indeed the sole original cause of the permanent increase of wealth." Had M. Quesnai or Dr. Smith fully analysed price, either would have seen, that the charges for the various species of circulant used by mankind constituted it, and that the charge for subsistence and for a few more products of labour, formed only portions of it, while other charges, for example, those of the soldier, the statesman, the lawyer, the medical man, &c. were as real portions of it as the former. Or had either of those economists been fully aware of the influence of the increase of population in producing wealth, and of the process which it adopts in producing this, which is by multiplying the wants of men, as well as enabling them more effectually to supply these, and thus creating a greater variety of profitable employment, he would have perceived that he had fixed upon only a part of what was productive in nature.

Dr. Smith is unquestionably an excellent practical writer, though a theorist. He reasons with great clearness in the detail, and deduces results very correctly from his own general views. But though his reasonings from his premises be sound, his premises themselves, in some fundamental points, are unsound. He erred fatally at the very first step, from his in-

accurate views respecting price, and theoretically referring all to certain fancies about labour, instead of the real objects for which it is charged by the various circulators. He unfortunately also suffered himself to be bewildered with Quesnai's imaginations on the one hand, and with popular whims on the other. Had he obtained a correct view of the component parts of price, his sagacity would in all probability have led him entirely to reject the principles or conceits of economism, a system founded in falsehood, and built of fancies, with little regard to real causes or actual results. He, however, adopted the groundwork of this system of ingenious sophistry, and erected some additions of his own. His theory, so long fashionable with us, is, in fact, as has been already observed, merely an extension of economism, though we pretend to have exploded it. And from a strange unacquaintance with, or, at least, inattention to, some of the most powerful and constantly operating principles in nature's process of the production of wealth, he rashly assumed some unwarranted popular fancies to be true. These original misconceptions have led him into errors of the most serious importance and dangerous tendency.

Many of his particular views partake more or less of the misconception of his general ones. The original errors are connected with almost

every question in statistics, directly or indirectly. And we find in most chapters of his *Wealth of Nations* a mixture of what is correct with what is incorrect. Part is derived from real causes and facts, and part from mere fancy or misconception. On the vital point of productiveness, which affects every branch of the science, his views and results never have agreed, nor ever can agree, with those of nature. His theory has therefore rendered statistics, in this grand point, a science of no value; for of what use is that science, which teaches us to believe in causes that do not exist, and to expect results which are constantly at variance with those produced in real life? High as his reputation is, truth forces us to speak out. His unproductive theory is the source of error among statisticians, and of sedition among the populace.

That theory, for many years so implicitly received, is now again, by some farther statistical inquiries, and the statistical results of the late war, fairly put upon its trial again. He who does not find his faith in it shaken by those events, must be a sturdy believer indeed. And if a candid man fairly begin to doubt and inquire, and to examine the solutions of those striking results upon the productive theory, I think I can conjecture what will be the issue.

Supported by results so decisively in our fa-

vour, we may now venture to assume a firmer tone, and state that we conceive that the arrangements of nature have been successfully vindicated against the unproductive theorists; and that the great and benevolent doctrine of *all classes being productive of national wealth*, has been strictly demonstrated. Facts, on every change of circumstances, join so fully also to confirm the reasonings, that we have not the slightest doubt of its being the real theory of nature. Still, however, well knowing how liable we are all to err, we keep our minds open to conviction; and every new objection shall receive the consideration to which it may seem entitled.

Those events, which have made us more decided, should make the believers in Smith's theory a little less dictatorial in their tone. To talk in general of unanswerable arguments, which have been completely answered, will no longer do. Or if silence be maintained, we shall be warranted in considering it to spring from prudence, or else to be a tacit confession, that the *principle of unproductiveness*, so long in possession of the field, has been fairly driven out of it. We know many have admitted this. Others now allow, that the unproductive classes are much fewer than they have been imagined to be. The last acknowledgment only shows that they have found the ground indefensible, and that they have been forced ac-

cordingly to shift their quarters; but it amounts to nothing. The question at issue, is not, whether more or fewer classes are unproductive, but whether there be any unproductive class at all. Quesnai, and even Smith, may, through misconception, have narrowed their productiveness too much; and yet their *principle of unproductiveness* may actually exist among some. But, according to the productive theory, transfer cases being excepted, to which all classes are alike occasionally liable, no such thing does or can exist in nature. According to her arrangements, *cæteris paribus*, every new or additional class creates a larger quantity of employment among the others, stimulates the circulatory powers more strongly, and adds to the wealth of all.

What we expect from the defenders of the unproductive theory is: 1. To state the classes which they consider as unproductive, or injurious to the rest, or the nation, in respect to income and wealth; and to point out distinctly the quality in their circulant, which produces an effect so mischievous, as well as so fundamentally different from those produced by the circulant of the others. 2. To answer the questions, how are their productive classes paid, and how are these payers enabled to pay them, and so on all round the circle; and to show any essential difference which they find in the process with respect to any class. 3. To analyze

the general average price, and prove that the charges of some classes make no part of it; for if all are alike taken into price, it is self-evident their effects on the general income and wealth must be alike. And, 4. to explain the statistical results of the late war, and the universal distress of 1816, on Smith's theory. We shall be satisfied if they do all this effectively, but with nothing less. We do not, indeed, conceive it possible; but we are ready to listen. One thing is certain, that, unless it can be done, the theory is mere fancy.

It is idle to talk of the difference between the two theories, as being of no great consequence. This has been tried of late by some, but it is only to undervalue what they find they cannot keep. The difference is infinite; and the practical consequences of the two theories are various, extensive, and of vital importance. On the productive theory, our ideas in statistics must be, to use the expression, entirely new-modelled.

The author of this theory says, he has hitherto met with much less opposition, than he expected to one so adverse to the received opinions. Most persons rather acquiesce in it. A gentleman, who has paid much attention to this sort of disquisitions, from whom he expected some hostility, told him, it was *a mere mass of truisms*. This would be but a poor compliment

to the theorist who aspires to the fame of subtlety, but it is the most solid praise that can be given to a theory, if it deserve it.

Not a few seem to be startled at the lengths to which they think the theory will carry them, and make extravagant suppositions, as if all was not under the control of the demand. A learned Professor, who on the whole assented to it, said, "But may there not be too many public singers, for example?" The answer was, "And may there not be too many ploughmen, or gauze-weavers?" The consequences of an over-supply in both cases will at length correct the overplus.

Most persons commit the same errors with the authors of our unproductive theories. They view only the first part of any charge, instead of tracing it round the whole mass of circulators. With respect to taxes and some other similar charges, they almost uniformly overlook an essential link of the chain, *the employment which they create.*

The chief objection urged by many is, that the theory is not calculated to be popular. It must be admitted, that, in some points, it is at variance with the inveterate prejudices of the great body of mankind. The author of it himself felt long the force of these prejudices. In a letter to a celebrated critic, dated April 1815, he says: "It is now about four-and-twenty

years since I first began to entertain serious doubts of the unproductive theory of Smith, universally admitted though it seemed to be, and certainly coinciding with the opinions of men both in old and modern times. I felt the ground rotten under me. The farther I advanced, I found it grew the more tender and unsafe. I did not at first think of positively rejecting a principle which seemed to be taken for granted by every body. For some years I kept querying, without either rejecting on the one hand, or reaching what was satisfactory on the other. I was somewhat like the man, who could easily conceive the world to be supported by a great elephant; but then what supported the great elephant? I could easily conceive the *productive* sellers to produce additional wealth; but then who were the buyers, or the payers of these sellers, that rendered them in reality productive? or what were they? It was not, however, till about the year 1802, that I had reached what seemed satisfactory on the subject. I began minutely to analyze what constitutes *price*, the mean by which wealth is obtained, and, therefore, most likely to conduct me to what I wanted. The result set my mind at ease. But it was some years after the greatest part of the work was written, ere I got a complete view of the subject as I have now given it to the public."

Were popularity made the criterion of what is true, the decision would be much oftener given in favour of error than of honest truth. After gravely protesting against so absurd a test being admitted in statistics, I have to remark, that though the ideas of the productive theory respecting the government classes are not those which are cherished by the people, in other points it is more calculated to be popular than even Smith's. According to it, the people are flattered with the idea, that the highest are dependent on the lowest for what they have, as much as the lowest are dependent on the highest: and further, that the poorest person adds as really to the wealth of a nation as the richest. It has also to render it palatable to the farmer, manufacturer, and, indeed, all circulators, the pleasing doctrine, that a high rate of price is as advantageous for a country as it is for the individual. It rescues the learned classes from the stigma of pauperism with which they had been degraded by Smith. And it must be agreeable to every benevolent mind; for it represents every circulator, high or low, as useful to the whole, in procuring income and the comforts of life. Whether in supplying food, instruction, protection, amusement, all are brothers, alike productive of national wealth. No person of sensibility, who attains to a correct view of it, but must share in the rapture of the author

when first he discovered in all its bearings a system so truly worthy of the Father of the universe. Surely, then, a system of statistics that encourages hope, dispels fear, and inspires benevolence, has only to be known to be popular. And if much more pleasing than that of Smith, it is also, as connected with population, much more calculated to be popular than that of Malthus. According to it, all permanent progress in wealth depends on the increase of population. This, again, depends on the earliness of marriage. Thus he is sure to have all the sex acquainted with it on his side. Even with respect to popularity, therefore, the productive theory has no reason to despair.

It has certainly, however, to struggle against some popular prejudices, and the powerful influence of established name. Should it succeed in forcing its way, its progress will probably be slow, equally supported by reasoning and by facts though it be. Yet in a free country, and an inquiring age, surely neither name nor prejudice can long maintain a theory, like Smith's, the results of which, on every marked change in circulation, with respect to war-employments, national debt, &c. are *found to be in the inverse ratio of those of nature*. The progress which we are making in a knowledge of statistical facts every year, is hostile to this theory, and

probably will ultimately explode it, as it has nearly exploded the narrower economical system of Quesnai. It has been admitted already by some of the adherents of Smith, that, in this grand point, his ideas are rendered doubtful by the reasonings on the side of the productive theory. To have deprived him thus of his strict infallibility in this fundamental point, is something gained. The right of private judgment being restored, should the nation take up the question, facts may carry the day both against preconceived notions and against name.

Facts are sometimes so striking, that they overpower even prejudices. The events of the late war, and what has followed, have given so decisive a confirmation of the productive theory, that there is of late a sort of natural gravitation towards the doctrines of the Happiness of States. Many of all classes, particularly the agricultural and manufacturing, from having bought experience very dear, admit that a highish price is as good a thing as a low price is a bad one: I mean in theory, for in practice no one ever had a doubt of it. Speaking as sellers, to a man, they have as good an opinion of a high price as the author of the Happiness of States himself. From the convenience of paper-money, as money, and the advantages derived by so many, in every line, throughout the island, from the ca-

pital with which they were accommodated by issuing houses, a great portion, perhaps most, are now reconciled to this sort of money. Not a few of them we find speaking as warmly in its favour as that author, though it is true, they throw in a little dash of theoretical dislike by way of salvo. And at present *, the opinion of that author on creating employment, in case of stagnation, appears to have infected us all †. This idea seems to have been acted on first by a prince who has been cured of the prejudices of education, and taught moderation in the school of adversity, who has acquired a respect for the habits and principles of liberty in that land of genuine freedom, Great Britain, and whose character for sound sentiments, and for clear and correct views in practical politics, in spite of the virulence and slanders of party zealots, is rising with the impartial throughout Europe. It has been adopted so generally in this country, that the present epidemic cry of the island, from the one end to the other, is, Create employment! create employment for the unemployed! it matters not what. This is sound statistics. Such is sometimes the force of circumstances. There are, as usual, some discordant tones arising from

* December 1816.

† Hap. of States, B. II. ch. v. p. 89.

factions ignorance; but the great mass of the respectable and peaceable of all ranks are unanimous for creating employment. And this common sentiment does equal credit to their good sense, to their patriotism, and their philanthropy.

Inveterate popular prejudices are so strongly against the idea of that species of circulation which is created by the governing and protecting a country, being productive like any other, that it is probable enough that the theory will never be received cordially in this point, by the great body at least of the lower classes. But those who once reach the views which it gives of the arrangements of nature, will find the whole process of circulation, in all the changes of circumstances and their results, so completely coinciding with it, that there is as little probability they will ever abandon it. They will also have the satisfaction to think, that, whether men embrace it or not, it operates no less really in nature, and effects all the good which so benevolent a system is calculated to produce, though the circulators who are benefited by it may, from their misconceptions, fail to perceive its operation, and, of course, to enjoy the pleasure which arises from that perception.

In a few words, the unproductive theory, with its imaginary lines, its fancied causes and

occult qualities, renders circulation a confused mass, inexplicable and inconsistent, while its theoretical results are almost uniformly at variance with the actual; or, if they ever agree, it is by accident. The mind of the inquirer is bewildered and uneasy. It perceives nothing definite, nothing certain, nothing satisfactory. The productive theory, on the other hand, renders the whole of circulation clear, distinct, consistent, and easy. Its results uniformly agree, to the greatest exactness, with those of nature. By means of it the statistician sees distinctly the various processes, and can calculate with certainty the actual results according to the changes of circumstances. He perceives every one of its causes in real operation, and the effects are precisely those which he expects. His mind, as it surveys the immense and varied mass in motion, labours under no doubt or difficulty, but feels perfectly at its ease. All is clear, and all is satisfactory. This theory knows no lines of distinction among circulators, nor any qualities in their circulant, but those which are actually found in real life. And unless it can be shown by the partisan of unproductiveness, *that either farmer, manufacturer, or any other circulator can procure income or capital without drawing it from others; that is, without making a charge on those for what they*

258 CONCLUDING GENERAL OBSERVATIONS.

sell ; and that the buyers, again, are able, or can continue, to pay these sellers without making a corresponding charge on what they sell in their turn, it rests on the rock of real fact, and is the actual theory of nature.

APPENDIX..

No. I.

Mr. Buchanan's Defence of Dr. Smith's Theory against the Edinburgh Reviewers considered.

IN the critical Essay referred to by Mr. Buchanan, the Reviewer argues that the class which has been styled unproductive, "does actually, like the class termed productive, realize its labour in an additional value conferred upon the stock formerly existing. The only difference is, that, instead of working upon detached portions, this class operates upon the stock of the community in general. Dr. Smith would allow that man to be a productive labourer who should manufacture bolts and bars for the defence of property. Is not he also, then, a productive labourer who protects property in the mass, and adds to every portion of it the quality of being secure*?"

Mr. Buchanan says in reply: "Dr. Smith expressly states, that he does not mean to undervalue the *utility* of the labour which he denominates unproductive." True; but Dr. Smith has degraded this labour by depriving it of the grand quality of producing wealth; and, consequently, renders the circulator who deals in it a pauper, who derives his income from sharing in, diminishing, and injuring the income of others. "And the preceding ar-

* Edinburgh Review, vol. iv. p. 357.

gument," goes on Mr. Buchanan, "seems to proceed upon the fallacy of maintaining, that labour, because it is useful, must necessarily be productive *."

There is no fallacy in the argument at all, when viewed as an *argumentum ad hominem*. Far from this, as such, it is decisive. If the fields of the farmer, by means of the security afforded by the judge against home plunderers, and by the soldier against foreign, be made, on the average of years, to produce, say, ten per cent. more to him, than they would do, were they unprotected; the judge and the soldier produce, or create, this ten per cent. as really as the farmer, his servants, and others, produce the rest.

As to a farmer's "laying claim to military honours" (p. 132), because he assists the soldier in winning his battles, it needs only to be observed, that there is at least quaintness in the argument. There can be no doubt but that the farmer assists the soldier, as really as the soldier the farmer. The battle of Austerlitz; it is said, was lost, like many others, from the commissariat of the beaten army not having availed itself sufficiently of the necessary aid of the farmer and the baker.

But these are *argumenta ad homines*, and do not decide the real question.

I know not whether this very able Reviewer will allow me to follow up the argument for him. The Edinburgh Reviewers have not, as far as is known to me, given their opinion on the productive theory of Mr. Gray. Yet I think this acute associate of theirs cannot consistently refuse to go a little farther than he has actually gone, and

* Observations, &c. by David Buchanan, p. 132.

positively admit the value-producing quality of that theory.

The *utility* of circuland forms an item in the means of happiness, and is that which renders it of value to the enjoyer or consumer. But when we consider circuland in its exchangeable character, and this is always the character in which we have to view it, as affecting national wealth, it is not its utility that produces wealth. In this Mr. Buchanan is right. But it is its utility which makes it be used, and thus renders it actual circuland; of course, endowed with chargeability. In what respect then, as to this value-producing property, does the labour of a farmer differ from that of a judge or a soldier? He charges upon others, or his customers, and obtains profit or income. The judge and the soldier do the same, and obtain profit or income for their labour.

"The case of the menial servant," says Mr. Buchanan, "is still more decisive in favour of Dr. Smith's distinction. It seems quite plain that the wealth of an individual who maintains ten menial servants will be diminished exactly by the expense of their maintenance; while, by maintaining ten labourers, who reproduce their maintenance with a profit, he will be richer by the whole amount of this profit." In answer to which it is observed by the Reviewer, "that there is no such difference as Dr. Smith supposes, between the effects of maintaining a multitude of those several kinds of workmen. It is the extravagant quantity, not the peculiar quality of the labour thus paid for, that brings on ruin. A man is ruined if he keeps more servants than he can afford to employ, and does not let them out for hire; exactly as he is ruined by purchasing more food than he can consume, or by employing more workmen in any branch of manu-

factures than his business requires, or his profits will pay *."

I agree with this entirely, but it is rather negative reasoning, or an argument against unproductiveness. If the Reviewer will permit me again, I shall answer it somewhat differently, and show that menial servants, on whose case such infinite stress is laid, are positively productive of wealth to the nation, and for the same reasons as manufacturing servants.

The master manufacturer, it is granted, procures income and wealth by means of the persons whom he employs to manufacture what he may sell for profit. But is it from them? Is he not obliged to have recourse to the incomes of his customers? And do these not reimburse themselves by charging upon him and others in their turn? At the same time, both he and his manufacturing servants afford additional employment to others by expending their income. Thus he and they, while they obtain income for themselves, produce wealth to the country; but then it is evident, that both are rendered productive by means of others.

The servants, again, who labour for the master manufacturer, in the expenditure of his income, receive wages, and must be fed, lodged, clothed, as well as the manufacturing servants. Thus they afford additional employment, or the means of income to the other classes all round the circle. Nor is he a loser, as the Reviewer justly observes, unless he is extravagant: that is, unless he employs more than he has the means of charging for on the articles in which he deals. Service forms a regular item in the price of articles; and this price, therefore,

* Buchanan's Observations, p. 133; and Edinburgh Review, vol. iv. p. 355.

will reimburse him for a fair average quantity of menial service.

Thus, both expenditure servants, and income servants, as well as their master, create wealth to the community, by means of others, or are productive to the amount of their respective charges. There is no difference whatever to the nation, except in the amount.

As to the notions of the French economists, I agree in opinion with Mr. Buchanan, though I arrive at the same result by a very different road from his. The reasons he uses are deeply tinged with the imaginations of economism, and show more theoretic subtlety than acquaintance with the real principles of circulation, or with the nature of price. They are inconclusive, and some of the positions are the reverse of what is true in real life. For example, he says, "As the land was formerly enriched by the high price at the expence of the community, the community would now profit by the low price at the expence of the landlord *."

With respect to the first part of the observation, I refer him to the general effects of the high price of agricultural produce and rent to the British community during the greatest part of the war, though occasionally, as in the remarkable year 1801, distress was produced by the suddenness and exorbitancy of the rise. In regard to the second, I refer him to the distress and poverty, instead of profit, brought upon the British community by the low price of subsistence in 1815. The time may, perhaps, come, when statisticians will attend more to facts than to fancy. I do not, however, go into this question here, as Mr. Buchanan, in his conclusions, is

* Mr. Buchanan's Observations, p. 125.

on the side of the productive theory; and I entirely agree with him, that manufacture is as really productive of wealth to a nation as agriculture.

No. II.

The Reviewer reviewed; or the Arguments of a Writer in the British Critic for September 1815, in defence of the unproductive Theory, examined and refuted.

THE spirit of levity and inaccuracy, which this writer displays in examining a work that gravely and deliberately treats of subjects, which all admit to be of the greatest practical importance, merits severe reprehension. It is not, however, the follies of this writer, but his reasonings, that I mean to consider. And that he may have justice done him, I shall give them in his own words:

“Labour, then, we maintain, when regarded with a reference to national wealth, is, according to the views of economists, and of Smith, either productive or unproductive. We say, when viewed with a reference to the aggregate wealth of a nation; for nothing is more obvious than that the income of particular individuals, or classes of men, may be increased without any addition being thereby made to the mass of public riches.”

If mere transfer cases be excepted, to which all classes are alike subject, nothing in nature is more obvious than the contrary. This is in fact to affirm, that a national income (which is made up of the incomes of its various classes, as these are made up of the incomes of individuals) amounting to 800 millions a year, for example, is

not more than one of 299. But let us attend to the proof of this strange assertion of the critic.

"We may adduce as an instance of this, the very honourable professions of law and physic; the gains arising from which, however much they may add to the private revenue of the practitioners, cannot be regarded as additional wealth secured to the country."

Why? This is conveniently to assume the very thing in dispute between Mr. Gray and Dr. Smith. The contrary has been not merely asserted, as this writer does, but demonstrated in all its extent from facts. Those honourable professions, law and physic, are, like every other, productive of additional wealth to a nation, to the amount of their incomes.

"Such gains are but a *transfer* of so much property from one hand to another, and the physician only spends a certain share of what his patient would otherwise have laid out."

Another mere assertion for a proof, to support the former assertion: which is, at least, a very easy mode of proving. The critic has here borrowed the idea of *transfer* cases of circulation from the productive theory of Mr. Gray. He has printed the term in italics, to impress us with its importance. But the idea is not applicable, as he has applied it. A mere transfer can only exist, when there is no *additional charge*. But the charges made by medical men and by lawyers, as has been fully shown, form as real additional items in price as those of the cultivator or manufacturer. They constitute portions of the 126 millions charged for in Britain by the classes reckoned unproductive by Smith. A physician no more spends a share of what a patient that employs him would otherwise have laid out, than a patient who sells to

a physician, spends a share of what the physician would otherwise have spent himself. Indeed, the master apothecary and the master conveyancer, for examples, do actually make a similar additional charge on the articles produced by the people whom they employ, as that which this economist constitutes the grand source of additional wealth with respect to manufacturers.

“What addition, we would ask, is made to our national wealth by the theatres or Opera House?”

To the whole amount of the additional employment which such establishments create. Hap. of States, p. 59.

“Or how much richer did we become from the visit of the Indian jugglers?”

To the amount of the value of the additional employment that those members of the amusing classes actually created. These men, it is true, might interfere partly with the incomes of Richardson and Gyngell, and other British jugglers, just as, had they come to sell Indian jaconotts and mulmuls, they might have diminished the employment and incomes of some of our Glasgow and Manchester circulators. But deducting the amount of this diminution, the balance produced by the additional employment afforded to the British farmer, manufacturer, and house-letter, &c. by these people, which probably might be nearly to the whole amount of their receipts, and these were said to be very considerable, was so much gain to the British public.

“Labour in all these cases is, no doubt, productive as it respects the labourer: that is to say, it increases his private revenue: but, as it respects the public, it is certainly unproductive.”

That is to say, again, an individual obtains income from others, for which these others are enabled fully to

charge and reimburse themselves, and, by his expending it, creates additional employment, and, of course, income to them ; yet, though all are thus rendered circulators to an additional amount, the income of the nation is no greater, than if this additional amount had not been created.

“ It merely becomes a channel for the circulation of money from one pocket to another, without adding one farthing to its amount. It enables the lawyer, the physician, the opera-dancer, and the player, to go to market and purchase goods, to the exact extent to which the means of their employers have been diminished by the payment of their fees or salaries.”

This shows a strange ignorance of the principles of circulation, its causes and results. The British nation, forsooth, would be as rich, and as well employed, if the 126 millions of income of Smith's unproductive circulators did not exist, or were at once annihilated. As the best commentary upon this wild dream, I quote the year 1816.

But now for the opening up of the great mystery of productiveness according to this economist's notions. We have seen that Quesnai, and even Smith himself, have completely failed in this essential point. This partisan of theirs may, however, succeed better.

“ But the case alters entirely with respect to labour in agriculture or manufactures. The man who pays for such labour, derives from it not only its own price, and the proper hire for the instruments which are used by the labourer, but also a clear profit over and above all charges. The Birmingham manufacturer, for example, who pays a guinea a week for a man's labour, is understood to reap from the work of that labourer not only the gui-

ness he paid out, and the interest of the money expended in the building of houses and the purchase of tools, but likewise, in addition to all this, a shilling or eighteen pence of profit; which, in the first place, adds so much to his wealth, and, secondly, to the wealth of the country. He gets back, in short, from the workman not only as much in the shape of manufactured goods, as would purchase a guinea's worth of labour, but as much as would purchase labour to the amount of twenty-two shillings and upwards; and, in this way, he could afford to pay the labourer during any number of years, and would all the time be gradually getting richer."

Certainly, provided the demand for his articles continued, or he could find persons who would pay for them, and he saved at least part of the profit.

This charge of master manufacturers, like every other additional charge, is productive to its amount; but in no other manner, than any other item of charge. It produces income to this circulator, and by means of his expending it, employment and income to others in the circle. But what item of charge does not produce all this?

The whole of this peculiar kind of charge which our critic seems to reckon the sole additionally productive mode of charge, as applied to manufactures, produces barely 5 millions a year out of 42, and probably, as applied to all other species of our circulant, not 30 millions out of the 300. In what possible respect, then, are these 5 or 30 millions of income productive of additional employment or wealth, which the 37 or 270 are not?

If our critic had attended to the analysis of the items of price in the book which he pretended to be examining, he would have seen that this item laid hold of by him, as

possessing the productive quality, was distinctly noticed *; and that there was a still farther *additional one*, or the charge of the retail dealer. This probably is a much larger one, and produces, of course, a greater amount of income. But in what respect do any of the items, whether of the supplier of the raw materials, the workman, the wholesale manufacturer, or the retailer, differ in point of productiveness? In this work † it has been shown, that, whether the charge for an article is made by one, or by several venders, through whose hands it passes, if the amount be the same, the result is the same. The mere variety of the items in the price of any article, can constitute no difference as to productiveness whatever.

But we have not had a word yet as to the grand question at issue between Dr. Smith and Mr. Gray, or *how* this Birmingham manufacturer *renders his charge effective, and really productive of income and wealth*. Does this circulator's merely saying, that the price of the article which cost him a guinea shall be 22 shillings, make it really worth that to him? Let him keep it to the end of his life, it would not be worth a farthing to him, though he had ticketed it at 22 pounds. Must he not find an actual buyer who will give him the 22 shillings for it? And does he not thus draw the additional shilling, as well as the other 21, from the pockets of others? That is, it is rendered really productive by means of others, whether called by Smith productive or unproductive circulators. And thus ends this partisan's theory of productiveness in as mere a nonentity with respect to the

* Hap. of States, B. II. ch. xi. p. 133.

† P. 61.

seller only, as that of either of his masters, Quesnai and Smith.

It may not quite suit this fond believer in unproductiveness more than others, to ask the staggering questions of the productive theory, How is this Birmingham manufacturer paid? and how are these payers enabled to pay him? But the impartial statistician will take care to ask them for himself; and the answer will be, that there is no difference to the community, or, with respect to circulation, in the results of his charge, and those of the charge of Catalani, the jugglers, and, I suppose I must beg pardon for adding, the charges of the physician and the lawyer.

This economist, indeed, affirms there is. He proceeds: "Apply this standard," we have seen what sort of a standard it is, "to Madame Catalani and the jugglers. You pay half a guinea to hear a song or see a trick of legerdemain. Suppose you go once a week to such amusements for a whole year, and you will have given away twenty-six guineas. Are your guineas replaced in your pocket by what you see or hear? No: then you must admit that such kind of labour consumes, without reproducing, the money of him who purchases it."

Thus our critic, who knows how to reason, has ended in comparing, not a seller with a seller, but a seller with a buyer! It is no wonder, that it was observed with a smile, *It is not this kind of thing that will shake the reasonings of the Happiness of States.*

Suppose his reader had spent his six-and-twenty guineas in purchasing toys and trinkets from his Birmingham manufacturer, or buns and jellies at the pastry-cook's, or even plain loaf bread at the baker's; would his guineas have been replaced in his pocket by ornamenting his per-

son, or merely filling his stomach? Why did not this partisan of unproductiveness dare to compare the manufacturer of trinkets with the singer of songs or exhibitor of feats of adroitness of hand, both with respect to procuring income and expending it; and then show a difference, except in mere quantity, or mere manner? The reason will be suspected to be obvious enough.

* But Mr. Gray will say the labour of the juggler is as productive as that of the Birmingham artizan, because it enables him to *charge* for it; but we say, in reply, that this is not the sense in which the term productive was used by Dr. Smith and his predecessors in France, and that there is all the difference in the world between enriching an individual and enriching a nation."

And I say, in rejoinder, that Mr. Gray, when speaking generally, does not use the term *productive*, as applicable to the individual only. He affirms, that the employment of the juggler is as productive as that of the Birmingham manufacturer (always allowing for any difference that there may be in *the mere amount of the charge*); and for the same reasons. 1. Because it produces income to the juggler, and may also, if he chooses, wealth and capital; and, 2. because by expending his income, or investing his capital, he creates employment, or the means of income and wealth, to the various circulators all round the circle. Thus, he not merely produces income and wealth to himself, but also to others, or the community. And, in no other way does, or can, the Birmingham artizan, or any other circulator, produce income and wealth to himself and to the nation.

Our economist has here merely *hinted at* the grand fundamental doctrine of the Happiness of States, or that the exchangeable wealth of individuals, as of a nation, is de-

rived from the *chargeability of circuland*, or consists in circulators meeting charge with charge. This simple but important doctrine of nature, which will, in all probability, at length explode the unproductive theories of Quesnai, Smith, and others, as founded in mere imagination, pervades every division of the work criticised by our economist. It is, indeed, very evident, that the work was expressly written with a chief view to establish this as the real theory of nature. It is also with respect to this very doctrine, that the essential difference between the ideas of Quesnai and Smith, and those of Mr. Gray, lies respecting the production of wealth. Yet our critic, though he could not well avoid alluding to it (which to be sure he does by printing the term *charge* in italics), does but merely allude to it, and thus slurs over a doctrine which he was called upon fully to examine. He had a fair opportunity of driving this heretical doctrine, as he styles it, out of the field. The process, if possible at all, was simple and easy. He had only to show, that though the income of all individuals and classes is derived from *charging upon others*, the charges made by the individuals of certain classes, while they produce income to themselves, are neither countercharged for by others, nor yet, in being expended, yield employment to others; for such classes must be unproductive.

But he has neither done this, nor even attempted to do it. He has evidently shrunk from the task. Whether it was from perceiving that the thing could not be done, he himself best knows. It is true, sagacity and discrimination by no means form prominent features of this specimen of statistical criticism. Yet he must have seen the difficulty of such an enterprise, and felt that the safest way was to avoid meddling with it. One thing seems to

me not doubtful. If he had attempted it, he would have failed. I conceive it to be impossible.

“Jugglers and songsters, and various other orders of men, may happen to acquire wealth, while the people who feed them may be sinking into poverty.”

And so may farmers. Of this we had a striking proof in 1812 and 1813, when their class were making fortunes by their high prices, while the manufacturing classes, from the lowness of their prices, caused by the circumstances of the foreign trade, were in a state of deplorable distress, rendered doubly severe by the high charges of the cultivator, who, in this instance, was enriching himself at the expence of the manufacturer.

“Whereas people employed in agriculture and manufactures are constantly found to diffuse wealth over the whole country, in which they are so fortunate as to improve their private fortunes.”

Granted; and the same is the fact over the whole country, in which Dr. Smith's unproductive people are so fortunate.

“The labour of the husbandman will draw from an acre of land ten times the amount of its natural unassisted produce; and manufacturing industry operating upon a pound of flax or cotton, will augment its changeable value, perhaps a thousand fold.”

Granted again. This is a strong proof for the productive theory, and against the unproductive. For the higher the charge created by labour and skill, the more strikingly are seen the enriching effects of mere chargeability, it matters not what the form of the article with which it is connected, or how trifling its value by nature. And who pays for these high charges of the husbandman, or the flax or cotton manufacturer? Is it the husbandman

himself? or yet the manufacturer of flax or cotton? The more these circulators charge for their articles, the more do they draw from the incomes of others, and of the unproductive circulators of Smith among the rest. On the productive theory, it is true, this does not produce poverty, but wealth, because the others, in their turn, are enabled to *charge* higher for their articles. But it is evident, that it proves just the contrary of what it is adduced by our critic to prove.

This would be equally true, even if those classes, misnamed unproductive, could not produce as striking examples of drawing large prices from their species of circulant improved by labour and skill. But these classes are more than a match for the other in this point. The labour, industry, and skill of Catalani and Kean, for whom this economist shows such terrible contempt as circulators, have augmented the exchangeable value of mere sound and gesture to such an amount, that frequently their products in an hour or two would purchase the fee simple of the acre of land, and the proceeds of several of our highest wrought pounds of flax or cotton. Were it at all necessary, we might here also quote, out of many similar instances, from those classes whom our critic stigmatizes as mere paupers, the legal and medical, some counsellors and physicians, who, in the course of a few hours of the day, will augment the exchangeable value of pleading and prescriptions to what would purchase the labour of the farmer and manufacturer, and of half a dozen of the workmen of each for a whole week.

“ The hardware of Sheffield and Birmingham, and the manufactures of Manchester and Paisley, bring into the ports of Great Britain, in the shape of French and American produce, an incalculable amount of wealth, if

compared with the original price of the material with which it is paid. We see the silks of Lyons and the wines of Burgundy and Champagne purchased with a piece of manufactured iron-stone, to which skill and labour have given its whole value; and cargoes of cotton are every day reaching our shores, which the ingenious industry of our countrymen sends back to the land where it grew so much increased in its exchangeable value, that a pound will sometimes pay for a ton."

All this is true; and who is ignorant of it? But of what force is it for the purpose for which it is quoted? It still tends only to confirm the productive theory. Without troubling myself to answer the question, who are the principal consumers among us of the silks of Lyons, and the wines of Burgundy and Champagne, which form only a small part of a vast whole; the misnamed unproductive classes give employment to our home manufacturers and our foreign merchants, to the amount of 126 millions.

Our clergymen, our lawyers, our teachers, our musicians, our soldiers, our fighting sailors, our statesmen, &c. are thus the source of within 24 millions of the half of the home products of our farmers, manufacturers, and builders. They likewise, in the same proportion, employ our ships sent to the Baltic, the Levant, North and South America, Hindostan, China, and every where else.

"And is it possible, in the face of such instructive and notorious facts, for an author to stand up and tell the world, that a woman who sings a song, or a man who recites a speech from Shakespeare, contributes as much to the public wealth as the manufacturer or the ploughman?"

Mr. Gray, who seems to weigh well his expressions, would have said here *as really*, not *as much*, for the latter depends on the quantum of the charge. Our critic also, to preserve consistency, should have described the two last circulators; as the former, by the actions which constitute them circulators: a woman who works with a tambouring needle, or a man who turns up the ground with a plough.

The question here does not affect utility, but wealth. In the former point our critic is as unfortunate as in all his other points. The artizan whom he has fixed upon as his leading example, is chiefly a fabricator of what some of our surly moralists would call expensive baubles, that tend only to feed vanity, and give our young people a taste for extravagance. I beg pardon here of the Birmingham manufacturer, for whose skill and adroitness of hand I have a great respect, and who ranks high on the productive theory, for being obliged to introduce him in a comparison of this sort. But who is the man that will think of comparing the pleasure derived from finery and ornaments of dress, with that intellectual happiness enjoyed from the fabrications of a Shakespear, displayed by the skill of a Siddons, a Kemble, or a Kean? or yet with the genuine ecstasy enjoyed from the fabrications of Handel, Arne, and other composers, exhibited by a Braham, a Salmon, a Stevens, and a Merry?

And now, in answer to our critic's exclamatory question, I say calmly and deliberately, in plain terms, that the author who dares to tell the world the contrary, or to assert, that the circulator who charges by means of teaching or amusing, does not contribute as really to public wealth, as the circulator who charges by means of clothing or feeding, to the amount of their respective charges,

must do it in defiance of the strictest reasoning, and of the clearest facts.

Having thus minutely considered this economist's arguments for the unproductiveness of certain classes, I have to observe, that, even as to the partial object which he has attempted to accomplish, he has completely failed; and that, with respect to the positive productive theory of Mr. Gray, he has left it in full possession of the field. He has assumed, and asserted, and insinuated; but he has not ventured even to attempt to show, by an analysis of facts and real causes in circulation, that the foundation doctrine of that theory is not built upon them.

This partisan, for we must not *yet*, in our turn, be so presumptuous as to call him a *political heretic*, has presumed to stigmatize the genuine doctrine of Nature, the productiveness of all her classes as to wealth, and which is so much calculated to promote benevolence, and to make men contented and happy, as *political heresy*. The speculations of theorists, who have formed imaginary lines of distinction among men, utterly unknown to nature, which have a strong tendency to rouse discontent, and cherish dangerous notions among the working classes, of course, are dignified by him with the title of orthodoxy. The latter theory has certainly at present establishment and name on its side; but it has little else. It has neither facts nor reason. The reasonings of this partisan, which consist of mere assertion and sophistry, when fairly examined, have only a tendency to make statisticians, according to him, *heretics*; that is, believers in the real doctrine of nature as to the productiveness of circulators. They have served to strengthen me in my belief of this doctrine.

For myself, I have endeavoured to follow up the

blow struck by the author of the Happiness of States against the very pernicious theory of unproductiveness. This is to me no task ; but truly a service of love. I confess it is an object of my highest ambition to assist in establishing the benevolent productive theory in its room.

In the attempt to support the opposite theory our critic has shown also much zeal ; indeed, as we have seen, more zeal than knowledge. Yet, in this point he merits approbation, and not blame ; for, however incorrect, weak, and inconclusive his reasoning may be, still he meets reasoning with reasoning. And I will add, that though others might reason with more consistency, and more guardedly, as well as show more sagacity, I question if any reasoner on his side can do ultimately more than he has done : real causes and actual facts are so completely on the other side. Whenever our opponents attempt to reason closely, to quote from a certain dialect, we have them. Their safety lies in asserting, addressing popular prejudices, and declaiming at a distance.

Cool deliberate reasoning, however inefficient, is entitled to attention at least. Besides, a doctrine which involves such infinite consequences, both in theory and practice, cannot be examined too rigorously, or placed in too many points of view. It is our critic's attempt at reasoning on the subject which has obtained him this attention. As for the rest, it is unworthy of notice ; and it should have met with none. It is for the reader to decide on these points.

Postscript to the Reviewer reviewed.

I SHOULD now have done, but *I also am a reviewer*, and will have a few words in my turn.

Were I disposed to treat this brother severely, he has put himself very much in our power. If we except the paragraph about the assize in bread, and one or two more, in which a ray of candour and good sense breaks through the fog, the whole is made up of ill temper, misrepresentation, and what has very much the appearance of buffoonery; for he has attempted both wit and humour. Judging, however, from this specimen, though it is to express myself rather strongly, his wit is as poor as his reasoning, and his humour as wretched as his statistics.

It is painful to see the truly noble and elegant science of criticism, which is naturally so much calculated to promote sound taste and free inquiry, degraded into a vehicle for bigotry, spleen, and malignity. The work which this critic pretends to examine, is a mass of cool deliberate reasoning on subjects which every rational being will allow to be of the greatest importance. The author, indeed, differs with most of his predecessors on various fundamental points, but he supports every leading opinion by a minute analysis of facts. He has laid his facts and reasoning before the public for its decision, and it is to their influence alone that he has intrusted his cause. His purpose is evidently to vindicate the arrangements of nature, and to support a system unquestionably one of the most benevolent ever exhibited to the attention of mankind. Even this reviewer, amid all his virulence, admits something of the sort. What, then, is there in

this, that should put any critic in a passion? And yet it has been strongly, but not very inaccurately, observed of this Reviewer's lucubration, that, "for the examination of a cool clear-headed statistician, he has given us the ravings of a bigoted old woman in a passion for she knows not what."

Some will suspect that the rage of this bigot for unproductiveness and pauperizing the exertions of mind, arose from having felt those reasonings, which he affects to undervalue, rather too powerful for his favourite creed. Be this as it may, such indiscriminate fury for fault-finding, and such evident attempts to misrepresent, prove their own antidote. To use a homely expression, *they let the cat out of the bag*. They put the reader on his guard.

A candid writer will make allowances for the misconceptions of a Reviewer, who frequently has not time, even if he had the inclination, to make himself fully master of his subject. A broacher of new doctrines should be still more liberal; for, after taking more care than he himself thinks necessary to make all clear, his conceptions may still at first seem obscure to others. But the attempt to misrepresent is sometimes so evident, that charity itself cannot find another term for it than the plain one. Out of several instances could any thing but wilful misrepresentation consider a guarded writer, like the author of the *Happiness of States*, when he speaks of "the trashy declamations of *ill-designing demagogues*, who spring up year after year, and flatter the prejudices of the people in order to make tools of them, and rise to power," as having in his view—I am almost tempted to let the reader guess whom—Turgot, Smith, and Malthus! Really this brother reviewer does not seem to care very much

about what he does say, so as he can say something smart or striking.

Among other queerish blunders, our critic represents this author as caricaturing his own doctrine, while he is actually, though gently, burlesquing that of his opponents; and he quotes the passage for the advantage of those who are not aware to what lengths an ingenious man will go in support of a favourite theory. "What possible difference can it make," he demands, "that one man is enabled to charge by means of turning up the soil with a plough; a second, by bringing tones out of an instrument; a third, by raising corn, or feeding cattle; a fourth, by inculcating the principles of religion; a fifth, by thrusting a shuttle between the divisions of the warp; a sixth, by making letters with a pen on paper; a seventh, by throwing water on cotton cloth to whiten it; an eighth, by rehearsing speeches from Shakespeare; a ninth, by singeing the woolliness of the surface of muslin off; a tenth, by tripping it lightly before an audience on a stage; an eleventh, by carrying heavy packages slowly along the street; and a twelfth, by collecting the debts due to private individuals, or the assessments of the nation."

Here his author is good-naturedly laughing at (some of our young folks would have said *quizzing*) the importance which Quesnai and Smith annex to the mere form of what is charged for; but how could he be burlesquing his own theory, which regards the form of no value whatever without chargeability? And after all, the question is unanswerable. What difference can the form make?

One of the most prominent characteristics of the *Happiness of States* is an analysis of *the effects of an*

increase of population. Here, our critic says, "we walk with Mr. Gray in a region peculiarly his own." And we have this writer's own opinion to the same import; or that he found the subject, when he entered upon it, in many of its divisions, almost a *terra incognita*. Justice to the public, as well as to the author, required of a professed examiner of the work, to point out distinctly how far these new views on so interesting a subject appeared to him correct or incorrect. And what have we from him? He begins with some indecent buffoonery, that cannot well be quoted upon a subject on which the virtuous statistician finds considerable difficulty to speak at all with due delicacy, proceeds with the grossest mis-statements, and ends in something that has very much the appearance of sheer nonsense.

Our critic has thought fit—query, capriciously or with a design—to clap a Scottish adverb rather unexpectedly to the tail of his rhapsody. Even had he not charged our northern brethren of high name with heresy, on the fundamental point of the production of wealth, this *thereabout* would not have done much for him. I do not think he is in any great danger of being taken for an Edinburgh Reviewer.

But more than enough of what is really unworthy of notice. Nor have I any wish to dwell on the faults of an erring brother. He may have thought more coolly and dispassionately, since, on the very important subjects of the Happiness of States: but his self-sufficiency is rather a bar to free inquiry. He seems to think much higher of his reasoning powers than this specimen by any means warrants. And while he gives assumptions for deductions, remarks for reasons, assertions for proofs, and burlesque distortions of facts instead of the correct statements

of a cool statistician, we must demur to his knowing either how to analyse or to reason. He seems sadly deficient in discrimination and sagacity, and deplorably so in point of accuracy. In short, he merely *sets down* things, instead of endeavouring to prove them like his author. As an enemy, also, the propriety of his mode of attack may well be doubted. Instead of charging in a steady scientific disciplined manner, he canters round the field at random like a furious Cossack.

I trust this frank lesson from a brother will not be lost upon him. As a brother, I would seriously advise him to give up *reasoning forward* from preconceived fancies to facts, in the style of the unproductive school, and to study, like the author of the unproductive theory, patiently to *reason back* from real facts to real causes. As he is, it is true, this brother of ours may do for a tolerable economist; but he has a great deal to unlearn, and a great deal to learn, before he will pass for a correct statistician.

No. III.

*Four Letters from Mr. Gray to M. Say, on his DE
L'ANGLETERRE ET DES ANGLAIS, and containing
some statistical Memorandums respecting France in
1816.*

LETTER I.

SIR,

London, 17th March 1817.

WE Britons, like our neighbours, may be too apt to consider the remarks of foreigners, who do not see things on the fair side with respect to us, as tinged with national prejudice. Many of us, however, are very willing to listen to what our neighbours say of our condition, though we may differ from them in opinion; for they must be supposed to be at least free from any selfish partialities on the favourable side. Something may be learned that may be useful to us. And I for one feel obliged to you, I assure you, for the attention which you have given to the affairs of Great Britain during a most interesting period.

Our island, Sir, permit me to say, from the commencement of the French revolution war in 1793, till it ended so happily for France herself (whatever may be her present feelings), as well as for Europe, in 1815, exhibits a spectacle to the statistician of no common kind. Perhaps no other country during this, or any other period, can afford him one so much calculated to interest and astonish him. The history of Britain, during the long and eventful struggle, abounds with the most important displays and lessons on the causes, movements,

and results connected with his science. It matters not what be the name of his country. The scene, it is true, was Britain; but the lessons are for Europe, for the whole world. There is not one set of statistical principles for Great Britain, and another for the rest of the nations. What follows in her, will follow in every country. The same causes, stimulations, and movements, which were in operation in her case, will produce the same processes and results every where else. The only difference will arise from difference of circumstances.

I have endeavoured to call the attention of my countrymen distinctly to this singular and instructive period, in its results with respect to wealth; but I have not yet succeeded, except in a small circle. There is something disclosed by it in that grand statistical point of view, which, however much it is calculated, in itself, to be pleasing to the friend of his country and mankind, party notions, or theoretical prejudices, seem to render not quite agreeable. Our oppositionists found the results to be directly contrary to what they had foretold. Our neutrals and our administrationists perceive them to be as opposite to what their preconceived notions, derived from the unproductive theory, made them expect. All three, therefore, decline going fully and directly into what seems only calculated to overturn their theoretical notions, or to bewilder them. Most, delighted though they are with the results themselves, choose to enjoy these without tracing them nicely to the causes, as these appear hostile to their favourite notions. Many people, Sir, would rather see their country incur some little practical loss, than have a favourite theory upset by her success. And most, though charmed with her good fortune, will avoid going into the inquiry concerning the causes, if these do not

coincide with some favourite ideas of their own. It will require much art to get either the friends or the foes of the results of the late war, who are believers in the doctrine of *unproductiveness*, fairly to enter on the question respecting wealth, which arises out of them. The facts are too staggering. Those who are determined to keep their old notions, find it convenient not to meddle with inquiring into what serves only to render them doubtful. Indeed, the sole way for these people to avoid the decisive force of those facts is to avoid thinking of them.

The question for the statisticians of this island, as well as of the continent, in plain terms, is this: *Did not Britain, to the close of the war, grow rich in an unprecedented degree, chiefly, or in full proportion to the amount of the increase of what has been called unproductive labour and capital, which, according to the theory of Smith, must have tended, in an unprecedented degree, to impoverish her? And, which is only a second part of the same question, has she not suffered a degree of poverty and distress, perhaps seldom before equalled, in proportion to the amount of the vast decrease of what has been called unproductive labour and capital, which, on the same theory, was calculated, in an unusual degree, to enrich her?*

Understanding that you had gone expressly into this important question, I took up your pamphlet, entitled, *De l'Angleterre et des Anglais*, with a very lively interest. I confess I felt not a little disappointment on finding that I was mistaking.

On the prominent ideas, in the view which you have taken of our affairs, I have not the pleasure to coincide with you. I mean not here to enter into a regular discussion on the subject. My sentiments have been laid

before the public in the *Happiness of States*, and with a minuteness of detail which I considered due to it from one who, in consequence of free inquiry, had found reason to differ with the statisticians before him, on almost every leading principle. He who presumes to dissent from received opinions, is called upon to give sufficient reasons for his dissenting. In truth, in the progress of my inquiries concerning the general principles of statistics, I found, in every division of the science, so many mere fancies, adopted as real principles; on such unwarrantable grounds, that many years ago I came to a resolution to admit no principle of any statistician, whatever be his name or his reputation, unless shown incontrovertibly to be genuine by a detail of actual facts traced to real causes. However brilliant the sentiment, or specious the principle, unless supported by plain facts and strict reasoning from them, it goes only for gaudy nonsense, or ingenious trifling. And what I expect from others, they have a right to expect from me.

I mean to trouble you with a few remarks, that have a reference to the grand question of the causes of the statistical results of the late war to Great Britain. You will pardon them, if you find in them the same frankness that distinguishes your own.

Yours,

S. GRAY.

LETTER II.

Increase in our Exports—In our Population.—The unfounded Theory of the Reverend Mr. Malthus.—Some statistical Memorandums respecting France in 1816.

24th March 1817.

OUR attention is called to the *great increase in our export trade*, p. 2.

This has been very considerable. It is one of the prominent features of this extraordinary war, that, on the whole, with some occasional retrogressions, the annual average of our foreign commerce kept advancing. Yet, Sir, the difference between the average of the *real value* of the exports previous to the commencement of the war in 1793, and that of the war even since the truce of Amiens, cannot be taken above 30 millions, if at so much. This has certainly done something, but it will go a short way to account for the increase of our income and capital during the war. Had the whole of this, both principal and interest, been given up by the merchants to the Treasury, it *would have barely paid the half of the additional expences of Government alone.*

Besides, our imports were, of necessity, as large as our exports; and according to the unproductive theory, on the construction of the people, took as much from us as the imports brought. On the productive theory, indeed, both, by creating profitable employment, added to the income and capital of the country.

Perceiving that you quoted the great increase in our population (p. 8), and being feelingly alive to that topic, I turned hastily to learn your sentiments upon it, as I considered this to be, indeed, the grand source of the astonishing increase in the income and capital of Britain during the war. I found it was the increase of population in our chief trading and manufacturing towns that was quoted, and only to show the increase of our trade and our manufactures. But, Sir, if the increase of population was confined to these places, the other portions would have lost what these, by the attraction of superior employment, gained. The only profit accruing to the nation from the change would have been from the higher

charges that the emigrants could make in the towns to which they had flocked.

But the population of every district of Britain had increased, not even excepting the Highlands of Scotland, thinned by constant emigration though they were. Allowing for the greater completeness of the enumeration of 1811, I am inclined to think, that the population of Britain alone had increased between 1792 and 1815 full one fourth, or about 2,500,000 souls. In this prodigious increase of her circulators, combined with the unprecedented increase of *really productive*, that is, *profitable* employment, we have the actual sources of the astonishing increase in her income and capital; or her wealth, during these 23 years.

I mean not to go into the proof of this here, but crave permission to refer to the Happiness of States, B. II. ch. 2, &c.

I have, indeed, seen a theory founded on a principle directly the contrary, received almost without examination since I entered on these studies, and for which I have never yet found any person that could give me a satisfactory reason. The Reverend Mr. Malthus has assumed, that *there is a constant tendency in all animated nature to increase beyond the nourishment prepared for it*. This I consider as a mere and unwarranted imagination. But though it could be *proved* to be the fact in nature, when applied to *irrational* animals, under all their circumstances of character and kind, as it certainly can not, while the contrary is more probable, it would not hold with respect to man, *whom reason has made as completely the regulator of the amount of subsistence, as of clothing, lodging, and the rest*.

This assumption of a tendency to excess in the num-

bet of animals compared with subsistence, when applied to man, which has been dignified with the title of *the principle of population*, I utterly reject, not merely as groundless, but as directly contrary to facts.

The other position, which has been maintained by this reverend author, as well as by several other writers of name, that *there is a tendency in the increase of population rather to produce poverty*, is equally contrary to facts, whether applied generally or occasionally. The reverse is uniformly true. Indeed, the theory is, in its results, as much in the inverse ratio of that of nature in hers, as the unproductive theory of Dr. Smith. And, while it leads to every thing false in statistics, if acted upon, it would lead directly to poverty and to vice.

The real and pleasing effects of a rapid increase of population were seen in most brilliant display, during the war, through the whole extent of our island, and gave as decisive a negation to the gloomy theory of the Reverend Mr. Malthus, as the employment created by the war did to that of the author of the *Wealth of Nations*; and in nothing more than in the vast increase of the number, as well as the improved and more wealthy style of houses.

In a visit which I made to your country last year, I confess I did not find such striking or brilliant results. Travelling partly with a view to ascertain how far the doctrines which I had deduced from the facts around me in our island, as well as from information, agreed with the facts found in so populous a state as France, I scrutinized as narrowly as I could the circumstances of the population. Considering an extension of buildings and an improvement in their style, which show the increase of population combined with the concomitant in-

crease of wealth, as the surest symptoms of a thriving country (Hap. of States, p. 290), I paid particular attention to your towns and villages in these points. I am sorry to say I saw no progress whatever. I have no recollection of any strictly *additional* buildings, nor do I find any such noticed in my memorandums. The only new buildings which I perceived were in some villages that had been partly destroyed in the conflicts with the invading armies. In truth, though we also are suffering from an unusual stagnation, I found at my return more new houses going on in the petty suburb of London, Camden Town, and its neighbourhood, than I had seen in the whole of my route through France. Every town and every village seemed stationary. A gloomy languor prevailed in all directions. Stagnation was in full sway. I could not help remarking to my fellow-travellers, that *at the villages and towns of Britain had, during the war, displayed the population theory in all its pleasing and inspiring results, the villages and towns of France, at present, exhibit the anti-population theory in all its gloom and repulsive languor. That theory seems to be here, as it were, embodied.*

Yet the population of your country is stated officially to be increasing, and I think it probable that it is, though I own I have most serious doubts whether it has reached the amount reported. Not having seen France before the Revolution, I cannot tell what progress her villages and towns may have made. I attributed the singular circumstance of such a stagnation in building, with a probably increasing population, to the horrible destruction of human life, inflicted by that impudent and remorseless military despotism which had so long distressed your unfortunate country, and driven unnumbered my-

riads of her young men in every direction, to destroy, and be destroyed in their turn, and which had drenched all Europe in blood. The houses remained, though the inmates were gone. They might now be filling up again.

I own I found much of what I expected, on my principles, from a state so long well peopled. There was an appearance of wealth, though, in general, it is true, but of little capital. Your soil is almost universally under cultivation, but, with some exceptions, in a very inferior style*. Your people are generally employed and busy, yet not very effectively. Though the population of France be to that of England only as about 140 to 200 per square mile, it is to Britain as 140 to perhaps 150. She seems, however, to be a still more considerable rate than even the former difference behind our island in capital, and the results of active capital. In several statistical points we have got the start of a full century before you.

LETTER III.

British Pride and Vanity—Crimes—Taste—Reading—Constant Employment—Mr. Dale's manufacturing Establishment—Machinery—Mr. Owen's Plan for employing the Poor—Tradesmen who have borrowed Capital—The Poor.

April 7.

It is strictly as a statistician that I address you. With the subject of our national pride and vanity, and

* I may here notice, that I found the observations in the *Happiness of States*, p. 496, respecting the effects of cloudless and cloudy skies strikingly exemplified. The more unclouded interior presented very meagre crops indeed. It was only when I approached the coast and cloudy skies on the one hand, and the Alps and cloudy skies on the other, that I found them at all tolerable.

so forth (p. 28, &c.), I therefore do not at present meddle. But from what all Europe has felt, and from what I saw last year in passing through France, I will venture to say, we may very warrantably return the compliment. This, however, would not palliate our foibles.

There is a much heavier charge brought against us. "C'est encore à la même cause qu'il faut attribuer les crimes nombreux qui se commettent en Angleterre. Il y a eu quinze mille condamnations en 1818. L'Europe entière n'en présente pas autant; et leur nombre s'accroît progressivement, d'année en année, comme les impôts, comme la dette publique." p. 27.

Not to meddle with virtues and good qualities, were we to go into a detailed comparison between Britain and any of the nations of the continent containing a similar amount of population, as to vices and crimes, of males as well as females, I have no doubt that the result would prove creditable to the island. But comparisons, the people in our country justly say, are odious. And be the result of such a comparison what it might, it is certain that crimes too much abound with us, and they do not seem to be on the decrease. That, however, they are owing chiefly, or in any considerable degree, to the increase of our taxes and national debt, will be reckoned a notion very fanciful by practical statisticians. Such causes will rather produce a smile than serious examination. Indeed, it is a well-known fact that the national debt, by affording such an easy and agreeable mode of investing small sums, has made a great many persons of the middle and inferior ranks, more attentive to saving; consequently more frugal and prudent, and, therefore, less liable to fall into crimes.

An increase in wealth, though it be an increase in the means of happiness, is not a good unalloyed with evil. It introduces luxury and a taste for expensive enjoyments; and it is rather unfavourable to the formation of frugal habits among those who are constitutionally thoughtless. I fear the unparalleled increase of wealth among us during the last thirty years, has been a fruitful source of vices and crimes. The detestable spirit of Jacobinism, which was introduced among us from your country, at the commencement of the Revolution war, and which, for several years, pervaded the great mass of our lower ranks, had a very immoral influence, which still remains. This was much increased by its natural companion, a spirit of irreligion. The latter was too general among our higher ranks before that war; but about the time of the introduction of Jacobinism, aided by that popular frenzy, it descended to the lower, and has had an influence of the worst possible kind ever since. Paine's Age of Reason did an injury to the piety and virtue of the working classes of Britons, which it will be extremely difficult to cure. It is true, as you have noticed, methodism has made great progress among them of late; and the sound statistician, though he may be no methodist himself, will be pleased to see what he may reckon also an extreme, yet of the opposite, and a virtuous kind, so prevalent, as it tends to counteract the other. Not a few who die by the hands of our executioner, belong to neither of our two national churches. It is not, however, the religion of these unfortunate wretches, in whatever persuasion they may have chanced to be educated, but their want of religion, that brings them to the gallows. I know not, whether the anti-population theory, which unquestionably has a tendency to depreciate the

value of human life, is fairly chargeable yet with any part of our crimes. It seems certain, that the horrible crime of murder has been on the increase here of late. And that worst species of it, stigmatized by the name of assassination, from which Britain used formerly to be reckoned so free, since the introduction of Jacobinism at least, is far from being unknown among us. That independent, bold, and fearless spirit, which springs from liberty, and distinguishes Britons, and which has inspired them to the performance of such illustrious feats, both in peace and war, is apt to make those whom circumstances have corrupted, daring and dangerous criminals.

To these causes, Sir, we may trace any increase of vice and crime unfortunately found among us; but as to the influence of taxes and a national debt towards making us vicious or criminal, you must really allow me to demur.

Our native taste seems to you to be rather equivocal. And you are so kind as to point out, by querying, the fatal consequences to us of a "long separation from the classic lands of Europe." p. 37.

Britons, I trust, Sir, ever will be, as they long have been, ready to borrow from their neighbours on the continent what appeared to them useful or elegant. Our taste has certainly been improved by the examples of the various sorts of literary composition transmitted to us from the Greeks and the Romans. If not absolutely perfect models of their kind, drawn from nature by pure reason, many of them are very excellent, and worthy of a guarded and prudent imitation, particularly the Grecian. The fine remains of the architecture and sculpture of those classic nations have likewise materially contributed to the formation of British taste. But if we have

learnt much from the nations of the continent, we have taught them and lent them much in return. I cannot here go into particulars. I may take another opportunity to do that. I certainly must feel as a Briton, and can scarcely be free from partiality; yet it has long been my serious opinion, derived, as I conceive, from facts, that there is at least one thing, in which, since the times of Addison and Thomson, the British nation has had a decided superiority over the nations of the continent; and that is, a love of genuine nature—a taste for her elegant simplicity. A natural fondness for novelty and variety prompts our fashionable people, and those who imitate them, too often to adopt the prevailing fancies of the continent, however unnatural, grotesque, or unbecoming; but the great body of our nation still retains the genuine British taste for true nature; and our fashionables and their imitators, when the fit of novelty is over, are still returning back to it. From what I have seen in Germany and France, I consider these countries, with respect to most articles, behind us in genuine elegance. They have a vast deal yet to learn from us in the comforts and true beauties of life in all its varieties. In France there is very uniformly found mixed with something better an affectation of gaudiness and finery, which degrades the grand and disfigures the simple. In short, I think, the continental authors, as well as artisans of every class, whether in the useful or ornamental lines, or whether belonging to country or to town, might study in Britain much to the improvement of their taste, and the advantage of their respective nations.

But our circumstances with respect to employment and wealth have a tendency to promote ignorance among us. “Cette position économique exerce un effet de-

plorable sur les lumieres, et fait craindre à l'observateur philosophe que cette patrie de Bacon, de Newton et de Locke, ne fasse bientôt des pas rétrogrades et rapides vers la barbarie. Il paraît certain qu'on lit beaucoup moins qu'on ne faisait." p. 22.

No, Sir. It is not so. And, as a friend to literature, you will be happy to learn, that you have been misinformed. The reverse is the fact. I once entertained a similar opinion with yours respecting some of our classes; but in the course of my inquiries for the Happiness of States, the principal intention of which, though not yet entirely completed, is to analyse the effects of the increase of population in all their extent—a subject, by the way, that I found in most of its divisions when I entered upon it, to be almost a *terra incognita*—having paid particular attention to this branch of it, I was happy to find I was mistaking. Learning is making a progress throughout all our classes, even our lower; and this progress has been as rapid and striking during the late war as that of our wealth. There is a much larger proportion of readers among us, than there was in the age of Bacon, or even of Locke or Newton; and not merely readers of the works of imagination. You know well that particular sciences have their popular times. While discoveries are first making in them, they have all the charms of novelty, and they attract particular notice till they reach a kind of *ne plus ultra*, and some other branches take their place. Thus mathematics, statics, optics, astronomy, metaphysics, ethics, criticism, pneumatics, mechanics, chemistry, electricity, galvanism, &c. have each had their day. Not that they are forgotten or unattended to afterwards; but their novelty is gone. They are still friends, but they are old friends.. Mechanics, chemistry, geology, and

statistics, seem at present the popular favourites. And there probably never was a time when the sciences were so much attended to even by our middle classes. Nor are our lower void of curiosity about them. All this is evident from the increasing demand for books of all descriptions.

You indeed say, "On n'en a pas le temps, et les livres sont trop cher." p. 22. Where the desire to read exists, time can be found even in our busy country. We see this exemplified among our most constantly employed classes. I know not that books are proportionately higher with us, when measured by our general rate of price, than in other countries. But their high price is a proof, not that the demand for them is decreasing, but that it is increasing.

The number published of every work that takes, is at least ten times that of the time of Bacon, and four or five times that of the time of Newton. The increase in the number and sale of our Encyclopædias, our learned periodical works, and the various works of science, proves decisively the increasing and more general attention paid to learning and science. There is scarcely a village in Great Britain which has not now its circulating library; and there are few towns of any size, which have not, over and above, private subscription libraries, book-clubs, and societies for discussing matters of science, or which are not occasionally visited by itinerant lecturers on one branch of science or another.

Indeed, reading is now rather the business than the amusement of no small portion of Britons. And the present age with us might be aptly styled the *Age of Readers*. The shopkeeper in country-towns, instead of passing his unemployed time leaning against his shop-

door, or gossiping in the street before it, as formerly, is now very commonly found reading in his shop. Our mechanics are frequently seen during meal-times with books in their hands. This general rage for reading has attracted the notice of the satirist. The lady's maid, and even the kitchen-wench, have been rated by him for borrowing the novel of their mistress; and the daughters of the shoemaker, carpenter, and other mechanics, have been sneered at for presuming to waste their time in the unprofitable employment of reading. In the crowded streets of London itself, says he, we must sometimes make way for peripatetics of the lower ranks with books in their hand.

It is true, some of our manufactures, particularly the cotton, were rather unfavourable to education. This, however, is in a fair way of being rectified by means of our Sunday and Lancasterian schools, and by a more enlightened spirit, which of late has inspired our master-manufacturers. That eminent British manufacturer and genuine patriot, whose name will be cherished by Britain as long as she is a manufacturing country, Mr. Dale, the founder of New Lanark, or, as it should be unanimously called by the nation, *Dalestown*, led the way in this career of true wisdom. He has been ably followed by his worthy successor Mr. Owen, and other enlightened manufacturers. And that lucrative branch of employment, the cotton, will probably be rescued in a considerable degree from the stigma which it has too long justly merited.

“La nation Anglaise en général, sauf ces favoris de la Fortune, est obligée à un travail opiniâtre; elle ne peut pas se reposer. On ne voit pas en Angleterre d'oisifs de profession”—pardon me, too many; “on y

est remarqué dès qu'on à l'air desoccupé, et qu'on regarde autour de soi. Il n'y a point de ces cafés, de ces billards remplis de désœuvrés du matin au soir, et les promenades y sont désertes tout autre jour que le dimanche; chacun y court absorbé par ses affaires." p. 21.

This is the first time that I recollect to have found a statistician who even seemed to consider constant employment as a hardship or an evil. The contrary is usually his complaint; and employment is the grand medium of income and wealth. Generally throughout the manufacturing districts and large towns of England and of Scotland, we are more constantly employed than most nations. And why? Because we are among the most populous, and certainly the richest. We have, therefore, more of the means of employment than other nations. But even we have at all times too many idle hands. It is well known, that, in good times, our manufacturing and other gregarious classes can seldom be made to work above three or four days in the week. The rest they pass too generally in the public-house, at the skittle-grounds, sauntering about, or in sight-seeing, spending the high-priced earnings of their working time. I wish, however, Sir, that your observations were actually correct at present. Since the peace annihilated so immense a quantity of war circuland, most of our classes have been suffering severe distress and poverty from a deficiency of employment. A busier and better time is, however, coming.

Machinery, which, as you remark, p. 31, has of late made so rapid and extensive a progress with us, while, in many cases, it has improved the excellence of the fabrication of the article, has added greatly to the wealth of our country. All the persons employed are enabled

to charge higher than before; the capitalist has also a better profit, and yet the article produced is much cheaper. But farther, I am satisfied, that the doctrine maintained in the Happiness of States (B. II. ch. 7), that *machinery tends, not to diminish, but to increase the demand for human labour*, though denied by the populace, and controverted by many members of the better-informed classes, is founded on facts. The fabrication of machines affords a vast amount of additional employment. In our island they employ, either entirely or chiefly, directly or indirectly, several hundred thousand persons. From their introduction at a high-priced period, the wages of these workmen are high, and the income is very great. The price-rate of machine-employment has also had an influence in raising that done chiefly or wholly by the human hand. The great addition to national wealth made by them, operates the same way, or, by increasing expenditure, to augment employment. The result of all this is, that though the number of human hands required to produce the same quantity of supply is considerably diminished, yet the average increase of the demand is likewise so much enlarged, that a greater number of hands is rendered necessary, on the whole, to supply the same number of circulators than before.

A manufacturer of ours*, who employs a large capital in machinery, seems to assume, that machine labour has really a tendency to diminish the demand for human labour; and that the present diminution of employment, arising from the cessation of the war demand, is attributable, at least in a considerable degree, to the continuation

* Mr. Owen. See his plan submitted to the Committee of the Association for the relief of the manufacturing and labouring Poor.

of the use of the former. But the argument is against him, as to the second point, on both theories.

We found, and he fully admits, that to the close of the war the suppliers, even with the various aid of machinery, were barely able to meet the demand. If machine-labour, then, diminishes the demand for human hands, fewer additional hands must have been employed by the war-requisitions. Of course fewer must have been thrown idle in consequence of their ceasing. Suppose those war-requisitions gave entire or partial employment to 500,000 persons, aided by machines, and that had there been fewer machines in operation they would have employed 700,000, it is clear, that, had machinery only to the latter extent been employed, there would have been thrown, wholly or partially, out of employment, 200,000 persons more than there are at present.

If, on the other hand, machinery, including all its results, increases the demand for human labour, it is as clear that no part of the late, and still existing, slackness of employment can be attributed to it. The whole springs from a diminution of the usual demand for labour, arising from causes not connected with machinery. Indeed, the additional wealth and capital created by machinery is now yielding us much employment, which we should not have had without this enlargement in the means of expenditure.

I here take occasion to remark on Mr. Owen's plan, for it is intimately connected with the subjects in discussion, that he has shown us how to *increase the supply*, but he is silent as to the grand object of consideration at all times, and to which our attention is turned with peculiar anxiety at present, the increase of the demand, or how this is to be effected, or from what source it is to come.

Partial and local causes operate to their extent in increasing as well as diminishing the demand; but I confess I can see no adequate cause for a general and permanent increase, but in a real increase of circulators or of population. On that all my hopes are founded of a return of full employment. To suppose the former increase without the latter, looks to me very like supposing an effect without a cause.

I will not omit here to say also, that the principle of the establishments proposed by this eminent manufacturer has my most cordial approbation. Besides, the vast employment which would be created by the erection of the various buildings, would at present have a very beneficial effect. No man is more capable of speaking practically on such establishments than Mr. Owen. His recommendation, therefore, will have weight with practical men.

I seize this opportunity to testify the sense which I have of the services done to the community by his illustrious predecessor and himself, in acting up to the great principle of sound statistics, *the happiness of circulators*. It has been, and, while I can wield a pen, it shall continue to be, a grand object with me, to impress on my readers, that it is happiness, and not wealth, which is the end of all correct statistical measures. Some persons affect to undervalue, or not to perceive what is gained by the distinction. But the distinction is clear, and the difference vast. Happiness is the true end; and wealth, though an extensive mean of happiness, is only a mean to attain that end, and may occasionally be pursued, so as to defeat the proper object, and injure both the individual and the community. Mr. Dale and Mr. Owen have had the honour to put in practice the principle derived from this, a

principle which is inspired by the productive theory, and in its very best spirit, that, *in every case, the happiness of the employed is to be as fully consulted as the happiness of the employer.* I confess I am not very sanguine as to seeing this principle generally adopted; yet I am confident that the practice of these two eminent manufacturers on so grand a scale will have its influence. And all who imitate it will find their own happiness, and even their wealth, promoted by it. I would have all our statisticians and tourists, as well as yours, and those of every country in Europe, who have it in their power, to follow the example of the Russian prince, who lately did us the honour to visit us. Let them go to New Lanark, or Dalestown, and there contemplate the beauties and advantages of this noble, this correctly natural, theory, fully put in practice.

“Un Anglais qu’a un commerce, si le capital qu’il emploie ne lui appartient pas, et s’il est obligé d’en payer l’intérêt, ne peut soutenir sa famille.” p. 19.

By far the greatest part of our tradesmen are in this predicament at their setting out in life. Yet they not only live well, but most of them, in less than twenty years, realize the capital which they had to borrow at first.

“Un tiers, dit-on, de la population de la Grande-Bretagne est ainsi obligé d’avoir recours à la charité publique.” p. 20.

This, permit me to say, is a very great miscalculation, even at the worst times. It is true; at all times we have a very numerous poor: not because our nation is poorer than others, but because it is richer. Such is the nature of man, that the wealthier a country, the greater will be the proportion of *vicious* poor in it. For the richer a nation, on the one hand, the easier is it for its circulators to

find employment in early years; and the less likely, therefore, are the various classes to learn prudent and saving habits; and on the other, it is better able and more ready to attend to the claims of the needy. The lower classes of England are, I fear, scarcely so frugal and prudent as those of other countries; and the English pay more to them when in want, because they are more able to pay: that is, because they are richer. The plea of distress is set up: they grumble and demur, and then admit it*.

On this subject I have only to say, such is human nature, and, I fear, it cannot be materially corrected. What remains for us to do is, to encourage friendly societies, and those institutions lately formed on one of the finest ideas ever put in practice, saving banks. Something may be done to improve our poor-laws, but I question if they can be essentially altered. If we cannot get so far as to manage the business of the poor nationally, we should at least be bold enough to strike out every regulation respecting settlement, that source of useless expence to parishes, and of unnecessary misery to the poor, and, in this point, leave each parish to take its chance.

About twenty years ago, I formed a poor's scheme, which had for its basis enforcing by authority the plan of benefit societies on every member of the community. But the difficulty is, to render these measures practicable.

And after all, Sir, do the vast sums paid by us to the poor really tend to impoverish the nation, as we are

* In passing through France, we were surrounded with beggars on entering and leaving every village and town. To say nothing of the children, the sight of so many old and decrepit objects was distressing. Sometimes they formed a circle round the coach, or the door of the inn. I made some inquiries of the master or servants. The answer often disclosed circumstances most pitiable.

told every hour? They do not, according to the productive theory, but do they in fact? They form part of the national expenditure, and they are consequently charged for by the payers. The charge for the poor, it is true, falls often unequally from certain circumstances, and proves injurious to individuals; but the income of the nation is not diminished. The building and management of poor-houses, &c. afford much additional employment, and the expences being charged for, like other items, go into price. That our English farmers, in spite of all their grumblings, do not, except in extraordinary cases, pay the poor rates out of their own gains, we have an incontestable proof in the following fact. The price of wheat in Scotland is, on an average, at least five shillings a quarter, or from sixteen to eighteen shillings an acre, under that of England. Barley is nearly as much lower, but oats are about a par. And yet the rent of similar land is at least one third, and in many cases a half, higher in the former than in the latter division of the island. The superior style of cultivation in some of the districts of the north may be said to account for a part of the difference; but this will barely make up for the difference in the price of grain. The real cause is, that in Scotland the farmers do not pay what is popularly called tithes, and the poor rates are comparatively trifling. *The Scottish landholder thus gets from his farmer, what is paid to the clergyman and the poor by the farmer in England.* And yet he, by the way, is no great gainer by this; for the rent being higher, he gives proportionably more for his land.

The result is, that, with the exception of occasional and extraordinary cases, neither the landholder, nor the farmer, nor any other circulator, pays the poor out of a

fund of his own. They all charge on what they sell, to reimburse themselves; and consequently this charge, like others, is paid out of the price of things. The national income is not diminished by this item in price, though it would certainly be increased, were the poor able to charge more largely, like the other classes, by means of effective labour.

LETTER IV.

Bank-notes and private Banks.—British and French Rates of Price.—The Income of Britain.—The average Amount of each Income increased 70 per Cent. during the War.—The actual Results of this.—Two Questions for the Statisticians of Europe to answer.—The Object of Britain in the War just, and fully accomplished.—Result, even to France, highly advantageous.

SIR,

London, 14th April, 1817.

IN the preceding letters I have extended my remarks farther than I intended. I shall close in this with what relates more particularly to the productive theory.

Having said so much already on the subject of bank-notes, all that I have to say here with respect to your observations on this important topic, p. 41, and I do it as a sincere friend of Europe in general, and of France in particular, is to recommend a strict imitation of the conduct of Great Britain as to that species of currency. This would be highly advantageous to the nations of the continent, and to none more than to France. Your bank does not, as I was informed, issue notes below 500 francs, or about 20 pounds sterling. Were it, and branches of it,

in every town (but private banking houses are superior in every point of view but one, which is security, and in this they may be made equal), to be allowed to issue notes in the British manner, as low as a Louis, or 20 francs; the impulse which this measure would give to circulation would soon be found to be powerful and beneficial as in Great Britain. (Hap. of St. B. III. ch. 2, p. 175.)

Though not so rich as we are, and, consequently, not having so much per circulator to exchange, you have a much larger home population. It is, therefore, likely, that the amount of exchanging circulant, or money, required by you is larger than with us. Including the billets de banque in circulation, the measure suggested would create an active capital to the amount of from 1700 to 2000 millions of francs, and an additional income to your nation of at least an hundred millions of francs. It is active capital that you chiefly want. I thought I saw every where the marks of a great deficiency of it. Permit me to observe, that after all the fine theories and subtle speculations sported on the subject of money, the only sound practical result seems to be, that, in regard to home circulation, metal money is only advantageous as small change. Beyond that the use of it is a constant source of real loss to a country*.

With respect to the grand point of consideration, price, p. 40, perhaps the general rate of price in Britain is double that of France. But are we poorer for that?

* Among various practical considerations of the doctrines of the Happiness of States respecting money, what has long been the fact in North Britain, is now verified among us in the south. Our people seem inclined to demur to taking gold: they prefer notes. Such is the force of utility and convenience against the most violent and inveterate prejudices. Hap. of States, B. III. ch. 4, p. 192.

Unquestionably not, but the reverse. This difference in price *must be caused by, and must represent something*. It is caused by the higher charges of the various circulators, chiefly to support a better style of living; and it necessarily represents a greater amount of employment, which is the means of charging. How could our circulators continue to buy, unless they were able to pay? And if they do not buy, the seller must lower his price. But they do buy. They are, therefore able to pay the additional price. And why? They charge for it each in their respective lines.

“ Une manufacture dont les marchandises doublent de prix, ne donne pas 10 pour cent d'intérêt, au lieu de 5 pour cent, a ceux qui y ont des fonds placés, ni un salaire double aux ouvriers qui y travaillent.” p. 40.

With regard to the wages of the workmen, I rather think there will be in general a rise somewhat in proportion to the rise in the price of the article; but with respect to the dealer, I grant what you affirm. Indeed, the richer a country and the higher the price, there seems rather a tendency in the per-centage to decrease. Yet though the per-centage will not be double because the price is double, the actual profit arising from the same article, though at the same per-centage, will be double. For example, a hat-dealer, suppose, charged two shillings on a hat, which cost him in making before the war 11 shillings, and now, when it costs him 22 shillings, by charging the same per-centage only, he gains double. He pays 11 shillings additional for the materials and workmanship, and instead of 2 shillings, he gets 4 to himself.

Besides, the richer a country, and of course the higher its rate of price, the greater is the average quantity of

hats and other articles sold. The profit to each seller is, therefore, also increased by this circumstance.

Was Britain as rich five hundred years ago, when land was let on the banks of the Tweed for a shilling an acre, as at present, when this very land lets from 40 to 50 shillings? Throughout all Europe we see wealth and a high price combined, and poverty and a low price. The thinner peopled, the less employed, and the poorer a country, the lower the rate of price, and vice versa. On the contrary doctrine, we ought to be the poorest nation in Europe, because our rate of price is the highest. And what is the fact? We are confessedly the richest people in Europe, and probably in the world.

In France your rate of price is too low. Indeed, for reasons, concerning which it would be worth while to inquire, it is lower than her rate of population supposes. I thought I saw evident marks of this every where. I attribute her deficiency in active capital, and the results of that deficiency, to her low rate of price. A deficiency of active capital, and a low price, are reciprocally cause and effect to each other.

I shall only ask, in what country in Europe, or out of it, is wealth so naturally distributed as in Britain, so pleasingly and gradually ascending, without any interruption in the gradations, from the lowest to the highest? In what country do all classes, according to their rank, feed so well, dress so well, and, at the same time, *save so much money, or realize so much capital?* The progress made by all in wealth during the late war was evident and astonishing. Every spot in the island exhibited pleasing marks of it.

• So much for the result, and next for the cause. You say, "*Colquhoun les (revenus de la Grande-Bretagne),*

évalué beaucoup plus haut. Mais ses bases sont tout-à-fait vagues et exagérés. Gentz, si partial pour les finances et les ressources de l'Angleterre, ne les porte qu'à 200 millions st. tout au plus. Admettons néanmoins qu'ils s'élèvent à 224 millions st." P. 17.

Mr. Colquhoun, I agree with you, has taken our income much too high at 480 millions. But, on the other hand, in stating it at 224 millions, you have taken it much too low. If the amount of money in circulation be known, we may guess at the amount of the income of a country (Hap. of States, p. 162); but an income-tax, if it be extended to all incomes, is the most likely medium to reach accuracy. Our income-tax descended only to 50 pounds a year. If we include the 9 or 10 millions derived from the public funds, which were applied by government to purchasing stock, and by setting loose a similar amount, became new capital, the amount taxed in 1814 was about 194 millions *. Though in some divisions the real amount was taxed, we cannot well suppose this total to be less than twenty or thirty millions under the mark. Our population consisted probably of 9,600,000 families at least: 627,523 incomes drawn from agriculture, manufacture, trade, professions, &c. paid the tax. The incomes of about 2 millions of families, and a very considerable number of solitary persons, are to be added. Taking these at 35 or 40l. on the average, or in the

* In calculating the amount of our taxed income to be 192 millions, by multiplying the amount of the tax (which on an average of 3 years ending 5th January 1813, you find to be 18,281,000l.) by 10, you fall into a very common error. Much of the income is taxed at a lower rate than 10 per cent.; and, besides, there are many considerable deductions. Calculated in that manner, the taxed income for 1814 would be only 145 millions, instead of what it really was, adding the interest appropriated to the sinking fund as noticed in the text; or about 194 millions.

aggregate, about 80 millions, we shall find the income of Great Britain at the close of the war to have been not far from 300 millions. This is exclusive of Ireland, with respect to which I have no data that can be depended upon; but judging from the income of Scotland, whose public revenue is not materially different from that of Ireland, we may take it at about 30 or 40 millions more.

The taxed income of 1800, from 60 $\frac{1}{2}$ upwards, was 80 millions sterling. The incomes between 60 and 70 $\frac{1}{2}$ amounted to 4,170,000 $\frac{1}{2}$. Allowing 5 millions for those between 50 and 60 $\frac{1}{2}$ for the incomes increase in number as they descend in amount, we have an augmentation in the taxed income of 1814 of 109 millions. Calculating a similar difference between the untaxed incomes of those years, we get 45 millions more, or a rise of 154 millions in the incomes of the British circulators. A considerable sum must be allowed, indeed, for the more effective mode of assessing the tax in 1814. Let us suppose it to be 14 millions. This leaves a rise of 140 millions from 1800. We cannot, with any probability, take the rise from 1794 to 1800 so low as 20 millions. But be it so. We have thus a rise in our income, during the war, of no less than 160 millions sterling.

The 300 millions sterling, it is true, was shared in 1814, probably by about 13 millions of people; and the 140 millions sterling among 10 $\frac{1}{2}$ millions of people only. Still the latter shared only 18 $\frac{1}{2}$ 6s. 8d. each, while the former shared 23 $\frac{1}{2}$ or about 70 per cent. more. In this most interesting and pleasing statistical result, by the way, we have a decisive confirmation of the doctrine of the Happiness of States (which involves so many important consequences, and overturns the foundation of the theory of Mr. Malthus), that *in proportion as circulators*

increase, the average quantity which they share, is increased also in a new and additional proportion. (B. II. ch. 2. p. 25.) Had the 18 millions of circulators in Britain shared according to the old proportion of the 10th, the income of Britain would have been augmented only to 178 millions, whereas it actually rose to 300.

Let us now examine how far that "terrible taxation," p. 84, which devours almost every thing, has really deprived Britons of the earnings and reward of their industry and skill.

You consider us to have paid for the public service for one year only, 112 millions sterling, p. 14, or 50 per cent. on our income. But in this sum you improperly include about 43 millions invested in the national funds, for which the lenders receive about 5 per cent. interest annually more or less. The amount of the taxes, or the contributions without interest, never fully reached 75 millions, or about 25 per cent. upon our income. Now, the taxes before the war were about 15 millions. The real addition to our taxes, even to the close of the war, was, therefore, under 60 millions. But by raising our prices and augmenting our employment, *we had charged 160 millions additional*, of which 38 per cent. were for government, and 62 per cent. for ourselves. Thus, after paying all the additional charges for the public service, we had gained 100 millions, to enable us to live better, or to invest as additional capital*.

And actual results every where agree with this. The style of living, of lodging, dressing, education, &c. among all ranks, grew more expensive, comfortable, or luxurious

* Such are the destructive effects of taxation, when combined; as necessarily in our case, with the employment, or means of charging created by it.

every year. Private capital was seen extending itself in incredible abundance into every nook of the island, to be employed in every practicable form. According to the productive theory, *an increase of price and employment has done all this for us.* And facts confirm it.

Yes, Sir, these are the results: results, which I confess seem to me to stamp all the peculiar notions of the unproductive theory as the mere unwarranted fancies of ingenious men. They may imagine, and insinuate, and distort; but what is the plain undisguised fact, presented to the impartial statistician, to every man of sober sense? *A country, consisting of from twelve to thirteen millions of people only, in carrying on a war the most extensive as well as expensive to be found in the history of mankind, for nearly a quarter of a century, created and realised twelve hundred millions sterling of additional capital, or, on the average, above fifty millions a year, and a hundred millions of additional income, over and above paying sixty millions annually in additional taxes. The whole of the public debt contracted during the various wars since its commencement in 1697 to 1795, or nearly a century, redeemed, with a sinking-fund, almost equal in amount to the whole of the revenue of Great Britain before the war already, and increasing annually. Arts, commerce, and arms alike flourishing. Improvement making a progress in every branch of employment, and carried into the most remote and deserted portions of the island: nor among the richer classes only: the hovel almost banished, or about to be banished, from its thinnest peopled portions. Every where, and in every form, the pleasing signs of wealth and comfort astonishing and enchanting the spectator.*

This was the picture presented to Europe at the close

of a twenty-three years war by our illustrious island, and with this picture, a problem respecting the causes for the solution of her statisticians.

For all this was created during a war, which we were incessantly taught by innumerable tongues and pens, had ruined, or would ruin, Great Britain. Under the delusion of the unproductive theory, this war, as you know, was carried on at first by Britain and France, with an express intention to ruin each other's finances. This, upon the productive theory, was apt to raise a smile: It was to attempt to ruin each other by creating additional employment, and thus rendering the means of wealth more abundant: that is, to impoverish each by enriching both. And facts confirmed the folly of the attempt. The annihilation of so immense a quantity of what, according to Smith's imaginations, was unproductive employment, and the disinvesting so large an amount of his unproductive capital by the peace, have produced a state of poverty and distress for the time, which decidedly proves the same thing. It is for the statisticians of Europe to determine whether these unquestionable facts can be satisfactorily accounted for, except on the productive theory.

With such striking results before us, there never was a time more favourable for discussing the question respecting the productiveness of circulant in point of wealth. Nor is there any thing more worthy of the attention of the statisticians of Europe than to settle, whether *it be the chargeability of circulant, or what is the quality, that is the source of productiveness.* This must form the basis of statistics. Until it is decided according to actual facts and actual causes, no real progress can be made in that practical science, in which we are all so deeply interested. And why might not the discussion be carried on with

spirit and yet with good nature and benevolence, to the instruction and advantage of all?

You say, "Forcé au silence je suis obligé d'en appeler au temps qui exercera une cruelle justice." p. 80.

I confess I do not quite comprehend your meaning here. If you allude only, as you appear to do, to the success of our finances in carrying us through the late eventful struggle in so triumphant a manner, I do not wonder at your adopting this tone of chagrin, if not of despair, holding, as you do, the doctrines of the unproductive theory respecting the production of wealth. Results, that are fully in the inverse ratio of those which would have taken place according to your opinions, must inspire both chagrin and despondence. But would it not be more safe, more prudent, and more correct, in such a case, to ask the question, Is it not more likely that my opinions are wrong, than that nature should be incorrect in her results? Till we reason from facts to opinions, and not from opinions to facts, we shall generally be chagrined; for we shall always find ourselves wrong except by accident. If you have a farther allusion to the late settlement of France, still I would say with reference to this, as well as our financial measures, What has Great Britain done, that she should have "a cruel justice exercised upon her?" There never was, in the whole extent of history, a more pure, a more generous and noble cause, than that in which this island, in defiance of every danger, embarked against, first, the revolutionary, and next, the military despotism, that sprang up in your country. Her object was to assist in asserting the independence of the nations of Europe, and the liberty of France herself; against the most egotistical, the most unprincipled, the most insolent and unrelenting despotism, that ever tyran-

INDEX.

A.

- AGRICULTURAL* circuland productive of national wealth, 20, 23. Income, returns of, and the amount, 30. Produce, bad effects of the fall of price of, 117. 194.
- America*, peace with, its beneficial effects to commerce lost by over-supplying the market, 194.
- Annuitants*, fixed, regular, not numerous, 104. Prove the reality of the productive theory, 105.
- Army* of 100,000 men, compared, in point of productiveness, with the same number of cultivators and manufacturers, 85.
- Axioms*, or general truths in statistics, 9.

B.

- Bankers*, the ruinous consequences of their withdrawing the usual amount of capital lent to the farmers, 192.
- Bank-notes*, the issue of them for home currency, and by private bankers, as in Britain, recommended to France and other countries, 307.
- Birmingham* master manufacturer, his charge productive only like every other charge, 268.
- Books*, the sale of, in Britain, greatly increasing, 298.
- Britain*, her prosperity does not depend on depressing her neighbours, 208. An extensive customer to the various nations, 213. Accused of vanity and pride by M. Say, 293. Increase of crimes in, and the causes, *ib.* Her predominant taste, 295. Reading and an attention to science making a progress in, 297. Constant employment of her people, 299. Charge of poverty against her tradesmen denied, 304. The number of her poor overrated, *ib.* Her rate of price very high because she is very rich, 310. Her income taken too high by Mr. Colquhoun, and too low by M. Say, 311. Its real amount, 312. Her income in 1792, 1800, and 1814, *ib.* Average income

INDEX.

- of her individuals, 312. Results of the 23 years' war, beginning in 1792, and ending in 1815, to her, *ib.* Her noble purpose in that war, and poetic justice done to her cause, 316.
- British Critic*, the arguments of a writer in, for the unproductive theory, refuted, 264.
- Brougham*, Mr. the review of Lord Lauderdale's Inquiry attributed to him; 21.
- Buchanan*, Mr. his defence of Smith's theory against the Edinburgh Reviewers considered, 259. And of the productiveness of manufacturers, 263.

C.

- Capital*, its definition, 12. Of the unproductive classes of Quesnai and Smith the most productive of all, both to themselves and to others, 96. Vast increase of, in Britain during the French Revolution war, 181.
- Catalani*, considered as a circulator, 270.
- Charge* for charge, the basis of the productive theory, 100. The source of all wealth, 241.
- Chargeability*, the source of all productiveness in point of wealth, 47. 62. 99. This doctrine hinted at, but not examined, by a writer in the *British Critic*, 271. Question concerning it proposed to the statisticians of Europe, 315.
- Circuland*, what, 9. Every species of it a source of income and of capital, 9. 98. Unless profitable it will be given up, 10. Its form makes no essential difference as to real productiveness, 66.
- Circulators*, all men are, 61. 69. What is necessary to escape being a circulator, 70. Impossible that any class of circulators can be unproductive, 95.
- Clergy*, both established and dissenting, productive of national wealth, 95.
- Constitution*, British, its excellence, 213. 281. 317.
- Consume*, this term shown to be improperly applied to the income of certain classes, 76.
- Create*, to, its meaning when applied to circulators, 25. All classes create income and wealth, 26. Creating employment in a stagnation beneficial, and this doctrine acted upon by the British legislature, 255. 319.
- Cultivation* would yield employment only to the one fourth part of circulators, 41.
- Cultivator*, assisted directly or indirectly by other circulators, 21. His income productive only like that of other circulators, 38.